

Edgar Filing: Small Cap Premium & Dividend Income Fund, Inc. - Form N-CSR

Small Cap Premium & Dividend Income Fund, Inc.
Form N-CSR
March 07, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT
INVESTMENT COMPANIES

Investment Company Act file number 811-21746

Name of Fund: Small Cap Premium & Dividend Income Fund Inc. (RCC)

Fund Address: P.O. Box 9011
Princeton, NJ 08543-9011

Name and address of agent for service: Mitchell M. Cox, Chief Executive Officer,
Small Cap Premium & Dividend Income Fund Inc., 4 World Financial Center, 6th
Floor, New York, New York 10080.

Registrant's telephone number, including area code: (877) 449-4742

Date of fiscal year end: 12/31/2007

Date of reporting period: 01/01/2007 - 12/31/2007

Item 1 - Report to Stockholders

Small Cap Premium &
Dividend Income Fund Inc.

Annual Report
December 31, 2007

[LOGO] IQ INVESTMENT
ADVISORS

BLACKROCK

Small Cap Premium & Dividend Income Fund Inc.

Portfolio Information as of December 31, 2007

| Ten Largest Holdings | Percent of Net Assets |
|---|--------------------------|
| Hologic, Inc. | 0.6% |
| CF Industries Holdings, Inc. | 0.4 |
| Exterran Holdings, Inc. | 0.4 |
| Terra Industries, Inc. | 0.3 |
| Priceline.com, Inc. | 0.3 |
| Flir Systems, Inc. | 0.3 |
| Equinix, Inc. | 0.3 |
| Chipotle Mexican Grill, Inc. Class B | 0.2 |
| Inverness Medical Innovations, Inc. | 0.2 |
| Bucyrus International, Inc. | 0.2 |

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| Five Largest Industries | Percent of Net Assets |
|---|--------------------------|
| Computer Services Software & Systems | 5.5% |
| Real Estate Investment Trusts (REITs) | 5.0 |
| Banks: Outside New York City | 4.8 |
| Services: Commercial | 3.0 |
| Drugs & Pharmaceuticals | 3.0 |

| Sector Representation | Percent of Long-Term Investments |
|------------------------------|-------------------------------------|
| Financial Services | 20.4% |
| Consumer Discretionary | 17.1 |
| Technology | 14.2 |
| Health Care | 13.9 |
| Materials & Processing | 10.0 |
| Producer Durables | 7.6 |
| Other Energy | 6.0 |
| Utilities | 4.4 |
| Auto & Transportation | 3.5 |
| Consumer Staples | 2.3 |
| Other | 0.4 |
| Integrated Oils | 0.2 |

For Fund portfolio compliance purposes, the Fund's industry and sector classifications refer to any one or more of the industry and sector sub-classifications used by one or more widely recognized market indexes or ratings group indexes, and/or as defined by Fund management. This definition may not apply for purposes of this report, which may combine industry and sector sub-classifications for reporting ease.

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A Summary From Your Fund's Portfolio Managers

We are pleased to provide you with this shareholder report for Small Cap Premium & Dividend Income Fund Inc. While the Fund is advised by IQ Investment Advisors LLC, the following is provided by BlackRock Investment Management, LLC, the Fund's subadviser.

The investment objectives of Small Cap Premium & Dividend Income Fund Inc. (the "Fund") are to provide shareholders with a high level of income, with a secondary goal of capital appreciation. The Fund pursues its investment objectives principally through a two-part strategy. First, the Fund will invest in a statistically selected sample of stocks included in the Russell 2000(R) Index (the "Index") and/or other investments that have economic characteristics similar to the securities that comprise the Index, which may include futures, forward, swap and option contracts based on the Index, as well as other investment funds with a composition similar to that of the Index. Second, the Fund will write (sell) call options on the Index or on exchange-traded funds ("ETFs") which seek to track the performance of the Index with respect to some or all of the value of its assets. There can be no assurance that the Fund will achieve its investment objectives.

For the annual period ended December 31, 2007, the Fund had a total investment return as set forth in the table below, based on the change per share in net

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asset value of \$18.80 to \$17.19. For the same period, the Fund's unmanaged reference index, the Russell 2000 Index, had a total return as shown below. All of the Fund and index information presented includes the reinvestment of any dividends or distributions. Distribution information may be found in the Notes to Financial Statements, Note 5.

| Period | Fund* | Russell 2000 Index** | Difference |
|--|--------|-------------------------|------------|
| Fiscal year ended December 31, 2007 | 2.63% | (1.57%) | 4.20% |
| Since inception (July 29, 2005) | 18.26% | 16.01% | 2.25% |

* Fund performance information is net of expenses.

** The reference index has no expenses associated with performance.

For more detail with regard to the Fund's total investment return based on a change in the per share market value of the Fund's Common Stock (as measured by the trading price of the Fund's shares on the New York Stock Exchange), please refer to the Financial Highlights section of this report.

As a closed-end fund, the Fund's shares may trade in the secondary market at a premium or discount to the Fund's net asset value. As a result, total investment returns based on changes in the market value of the Fund's Common Stock can vary significantly from total investment returns based on changes in the Fund's net asset value.

Jonathan A. Clark
Portfolio Manager

Debra L. Jelilian
Portfolio Manager

Jeffrey L. Russo, CFA
Portfolio Manager

January 15, 2008

Russell 2000 is a registered trademark of the Frank Russell Company.

SMALL CAP PREMIUM & DIVIDEND INCOME FUND INC.

DECEMBER 31, 2007

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Summary Schedule of Investments as of December 31, 2007 (in U.S. dollars)

This summary schedule of investments is presented to help investors focus on the Fund's principal holdings. It includes the Fund's 50 largest holdings and each investment of any issuer that exceeds 1% of the Fund's net assets. "Other Securities" represent all issues not required to be disclosed under the rules adopted by the Securities and Exchange Commission. In addition, the summary schedule of investments allows the adviser certain efficiencies. As such, any cost savings in report production or printing are passed on to the Fund and, ultimately to Fund shareholders. A complete schedule of investments is available without charge, upon request, by calling 1-877-449-4742 or on the Securities and Exchange Commission's website at <http://www.sec.gov>.

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| Industry | Shares Held | Common Stocks |
|-------------------------------------|-----------------|--|
| Advertising Agencies | | Other Securities |
| Aerospace | | Other Securities |
| Agriculture, Fishing & Ranching | | Other Securities |
| Air Transport | | Other Securities |
| Aluminum | | Other Securities |
| Auto Parts: After Market | | Other Securities |
| Auto Parts: Original Equipment | | Other Securities |
| Auto, Trucks & Parts | | Other Securities |
| Banks: New York City | | Other Securities |
| Banks: Outside New York City | | Other Securities |
| Beverage: Brewers (Wineries) | | Other Securities |
| Beverage: Soft Drinks | | Other Securities |
| Biotechnology Research & Production | 5,900 9,500 | Alexion Pharmaceuticals, Inc. (a) OSI Pharmaceuticals, Inc. (a) Other Securities |
| Building Materials | | Other Securities |
| Building: Cement | | Other Securities |
| Building: Heating & Plumbing | | Other Securities |
| Building: Miscellaneous | | Other Securities |
| Building: Roofing & Wallboard | | Other Securities |
| Cable Television Services | | Other Securities |
| Casinos & Gambling | 8,700 | Bally Technologies, Inc. (a) Other Securities |
| Chemicals | 8,900 19,300 | CF Industries Holdings, Inc. Hercules, Inc. Other Securities |
| Coal | | Other Securities |
| Commercial Information Services | | Other Securities |

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| Communications & Media | | Other Securities |
|---|--|---|
| Communications Technology | 23,500 | Foundry Networks, Inc. (a) Other Securities |
| Computer Services Software & Systems | 12,600 5,800 6,600 23,500 26,140 14,700 | Ansys, Inc. (a) Equinix, Inc. (a) Micros Systems, Inc. (a) Nuance Communications, Inc. (a) SAIC, Inc. (a) Sybase, Inc. (a) Other Securities |

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Summary Schedule of Investments (continued) (in U.S. dollars)

| Industry | Shares Held | Common Stocks |
|---|------------------|--|
| Computer Technology | | Other Securities |
| Construction | | Other Securities |
| Consumer Electronics | | Other Securities |
| Consumer Products | | Other Securities |
| Containers & Packaging: Metals & Glass | 11,200 | AptarGroup, Inc. Other Securities |
| Containers & Packaging: Paper & Plastic | | Other Securities |
| Copper | | Other Securities |
| Cosmetics | | Other Securities |
| Diversified Financial Services | | Other Securities |
| Diversified Materials & Processing | 15,400 | Hexcel Corp. (a) Other Securities |
| Drug & Grocery Store Chains | | Other Securities |
| Drugs & Pharmaceuticals | 15,600 13,000 | BioMarin Pharmaceuticals, Inc. (a) MGI Pharma, Inc. (a) |

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| | | |
|---|--------|--------------------------------|
| | 8,920 | Onyx Pharmaceuticals, Inc. (a) |
| | 12,600 | Perrigo Co. |
| | | Other Securities |
| ----- | | |
| Education Services | 9,800 | DeVry, Inc. |
| | 2,400 | Strayer Education, Inc. |
| | | Other Securities |
| ----- | | |
| Electrical & Electronics | | Other Securities |
| ----- | | |
| Electrical Equipment & Components | 4,500 | Genlyte Group, Inc. (a) |
| | | Other Securities |
| ----- | | |
| Electrical: Household Appliance | | Other Securities |
| ----- | | |
| Electronics | 21,600 | Flir Systems, Inc. (a) |
| | | Other Securities |
| ----- | | |
| Electronics: Instruments, Gauges & Meters | 4,890 | Itron, Inc. (a) |
| | | Other Securities |
| ----- | | |
| Electronics: Medical Systems | 19,480 | Hologic, Inc. (a) |
| | 8,707 | Illumina, Inc. (a) |
| | | Other Securities |
| ----- | | |
| Electronics: Semi-Conductors/ Components | | Other Securities |
| ----- | | |
| Electronics: Technology | | Other Securities |
| ----- | | |
| Energy Miscellaneous | | Other Securities |
| ----- | | |
| Engineering & Contracting Services | | Other Securities |
| ----- | | |
| Entertainment | | Other Securities |
| ----- | | |
| Fertilizers | 15,000 | Terra Industries, Inc. (a) |
| ----- | | |
| Finance Companies | | Other Securities |
| ----- | | |
| Finance: Small Loan | | Other Securities |
| ----- | | |
| Financial Data Processing Services & Systems | | Other Securities |
| ----- | | |

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Summary Schedule of Investments (continued) (in U.S. dollars)

| Industry | Shares Held | Common Stocks |
|---|----------------|--|
| Financial Information Services | | Other Securities |
| Financial Miscellaneous | 10,600 | Sotheby's Holdings, Inc. Class A Other Securities |
| Foods | | Other Securities |
| Forest Products | | Other Securities |
| Forms & Bulk Printing Services | | Other Securities |
| Funeral Parlors & Cemeteries | | Other Securities |
| Glass | | Other Securities |
| Gold | 75,700 | Coeur d'Alene Mines Corp. (a) Other Securities |
| Health Care Facilities | | Other Securities |
| Health Care Management Services | | Other Securities |
| Health Care Services | | Other Securities |
| Homebuilding | | Other Securities |
| Hotel/Motel | | Other Securities |
| Household Furnishings | | Other Securities |
| Identification Control & Filter Devices | | Other Securities |
| Industrial Products | | Other Securities |
| Insurance: Life | | Other Securities |
| Insurance: Multi-Line | | Other Securities |
| Insurance: Property-Casualty | 14,200 | Aspen Insurance Holdings Ltd. Other Securities |
| Investment Management Companies | 13,700 | Waddell & Reed Financial, Inc. Class Other Securities |

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| | | |
|--|---------------------------|---|
| Jewelry, Watches & Gemstones | | Other Securities |
| Leisure Time | | Other Securities |
| Machine Tools | | Other Securities |
| Machinery & Engineering | | Other Securities |
| Machinery: Agricultural | | Other Securities |
| Machinery: Construction & Handling | | Other Securities |
| Machinery: Engines | | Other Securities |
| Machinery: Industrial/Specialty | | Other Securities |
| Machinery: Oil Well Equipment & Services | 9,707 | Exterran Holdings, Inc. (a) Other Securities |
| Machinery: Specialty | 5,850 | Bucyrus International, Inc. Other Securities |
| Manufactured Housing | | Other Securities |
| Manufacturing | | Other Securities |
| Medical & Dental Instruments & Supplies | 11,150 10,620 4,400 | Immucor, Inc. (a) Inverness Medical Innovations, Inc. (a) Ventana Medical Systems, Inc. (a) Other Securities |

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Summary Schedule of Investments (continued) (in U.S. dollars)

| Industry | Shares Held | Common Stocks |
|---|-------------|------------------|
| Medical Services | | Other Securities |
| Metal Fabricating | | Other Securities |
| Metals & Minerals Miscellaneous | | Other Securities |
| Milling: Fruit & Grain Processing | | Other Securities |
| Miscellaneous Business & Consumer Discretionary | | Other Securities |

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| | | |
|--|-----------------|---|
| Miscellaneous Consumer Staples | | Other Securities |
| Miscellaneous Health Care | | Other Securities |
| Miscellaneous Materials & Commodities | | Other Securities |
| Miscellaneous Materials & Processing | | Other Securities |
| Miscellaneous Producer Durables | | Other Securities |
| Miscellaneous Technology | | Other Securities |
| Multi-Sector Companies | | Other Securities |
| Office Furniture & Business Equipment | | Other Securities |
| Offshore Drilling | 4,400 | Atwood Oceanics, Inc. (a) Other Securities |
| Oil: Crude Producers | 26,550 6,500 | PetroHawk Energy Corp. (a) Whiting Petroleum Corp. (a) Other Securities |
| Oil: Integrated Domestic | | Other Securities |
| Oil: Integrated International | | Other Securities |
| Paints & Coatings | | Other Securities |
| Paper | | Other Securities |
| Photography | | Other Securities |
| Plastics | | Other Securities |
| Pollution Control & Environmental Services | | Other Securities |
| Power Transmission Equipment | | Other Securities |
| Printing & Copying Services | | Other Securities |
| Production Technology Equipment | | Other Securities |
| Publishing: Miscellaneous | | Other Securities |
| Publishing: Newspapers | | Other Securities |
| Radio & TV Broadcasters | | Other Securities |
| Railroad Equipment | | Other Securities |
| Railroads | | Other Securities |
| Real Estate | | Other Securities |

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| | | |
|---------------------------------------|--------|---------------------------------------|
| Real Estate Investment Trusts (REITs) | 5,200 | Alexandria Real Estate Equities, Inc. |
| | 10,300 | Anthracite Capital, Inc. (b) |
| | 14,000 | Nationwide Health Properties, Inc. |
| | 16,600 | Realty Income Corp. |
| | | Other Securities |

Recreational Vehicles & Boats Other Securities

Rental & Leasing Services: Other Securities

Commercial
Rental & Leasing Services: Consumer Other Securities

SMALL CAP PREMIUM & DIVIDEND INCOME FUND INC. DECEMBER 31, 2007 7

Summary Schedule of Investments (continued) (in U.S. dollars)

| | Shares Held | Common Stocks |
|----------------------------------|----------------|--|
| Restaurants | 5,200 | Chipotle Mexican Grill, Inc. Class B Other Securities |
| Retail | 6,000 | Priceline.com, Inc. (a) Other Securities |
| Savings & Loan | | Other Securities |
| Scientific Equipment & Suppliers | | Other Securities |
| Securities Brokerage & Services | | Other Securities |
| Services: Commercial | 7,400 | FTI Consulting, Inc. (a) Other Securities |
| Shipping | | Other Securities |
| Shoes | | Other Securities |
| Steel | | Other Securities |
| Sugar | | Other Securities |
| Telecommunications Equipment | 14,300 | Polycom, Inc. (a) Other Securities |

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| | | |
|---------------------------------|-----------------|---|
| Textile Products | | Other Securities |
| Textiles Apparel Manufacturers | | Other Securities |
| Tires & Rubber | | Other Securities |
| Tobacco | | Other Securities |
| Toys | | Other Securities |
| Transportation Miscellaneous | | Other Securities |
| Truckers | | Other Securities |
| Utilities: Cable TV & Radio | | Other Securities |
| Utilities: Electrical | 6,700 15,800 | ITC Holdings Corp. Westar Energy, Inc. Other Securities |
| Utilities: Gas Distributors | | Other Securities |
| Utilities: Miscellaneous | | Other Securities |
| Utilities: Telecommunications | 23,730 | Time Warner Telecom, Inc. Class A (a) Other Securities |
| Utilities: Water | | Other Securities |
| Wholesale & International Trade | | Other Securities |
| Wholesalers | 18,200 | LKQ Corp. (a) Other Securities |
| | | Total Common Stocks (Cost -- \$201,969,927) |

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Summary Schedule of Investments (concluded) (in U.S. dollars)

| | Shares Held | Investment Companies |
|--|----------------|---|
| | 1,000 | BlackRock Kelso Capital Corp. (b) Other Securities |

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| | | |
|---|------------------------|---|
| | | Total Investment Companies (Cost -- \$343,489) |
| ===== | | |
| ===== | | |
| | Face Amount | Short-Term Securities |
| ===== | | |
| Time Deposits | \$32,181,442 | State Street Bank & Trust Co., 3.25% due 1/02/2008 |
| | | Total Short-Term Securities (Cost -- \$32,181,442) |
| | | ===== |
| | | Total Investments Before Options Writ (Cost -- \$234,494,858*) |
| | | ===== |
| | | ===== |
| | Number of Contracts | Options Written |
| ===== | | |
| Call Options Written | 750 | Russell 2000 Index, expiring January at USD 770 |
| | 750 | Russell 2000 Index, expiring January at USD 780 |
| | | Total Options Written (Premiums Received -- \$3,235,500) |
| | | ===== |
| Total Investments, Net of Options Written (Cost -- \$231,259,358) | | |
| Liabilities in Excess of Other Assets | | |
| Net Assets | | |

* The cost and unrealized appreciation (depreciation) of investments, as of December 31, 2007, as computed for federal income tax purposes, were as follows:

| | |
|-------------------------------------|----------------|
| Aggregate cost | \$ 237,617,800 |
| | ===== |
| Gross unrealized appreciation | \$ 4,448,732 |
| Gross unrealized depreciation | (4,325,908) |
| | ----- |
| Net unrealized appreciation | \$ 122,824 |
| | ===== |

- (a) Non-income producing security.
- (b) Investments in companies considered to be an affiliate of the Fund, for purposes of Section 2(a)(3) of the Investment Company Act of 1940, were as follows:

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| Affiliate | Purchase Cost | Sales Cost | Realized Gain | Dividend Income |
|---|----------------------|---------------|---------------|-----------------|
| Anthracite Capital, Inc. BlackRock Kelso Capital Corp. | \$ 6,075 \$15,419 | \$6,012 -- | \$304 -- | \$11,690 -- |

- o For Fund portfolio compliance purposes, the Fund's industry classifications refer to any one or more of the industry sub-classifications used by one or more widely recognized market indexes or ratings group indexes, and/or as defined by Fund management. This definition may not apply for purposes of this report, which may combine industry sub-classifications for reporting ease. Industries are shown as a percent of net assets. These industry classifications are unaudited.
- o "Other Securities" represent issues that are not identified as the 50 largest holdings of the Fund and issues not exceeding 1% of net assets. Some securities or a portion thereof, in this category are held as collateral in connection with open financial futures contracts.
- o Financial futures contracts purchased as of December 31, 2007 were as follows:

| Number of Contracts | Issue | Expiration Date | Face Value | Unrealized Appreciation |
|---------------------|--------------------|-----------------|--------------|-------------------------|
| 75 | Russell 2000 Index | March 2008 | \$28,884,339 | \$73,161 |

See Notes to Financial Statements.

SMALL CAP PREMIUM & DIVIDEND INCOME FUND INC. DECEMBER 31, 2007 9

Statement of Assets, Liabilities and Capital

As of December 31, 2007

Assets

| | |
|---|--|
| Investments in unaffiliated securities, at value (identified cost -- \$234,358,977) . | |
| Investments in affiliated securities, at value (identified cost -- \$135,881) | |
| Cash | |
| Receivables: | |
| Securities sold | |
| Options written | |
| Dividends | |
| Interest | |
| Total assets | |

Liabilities

| | |
|--|--|
| Options written, at value (premiums received -- \$3,235,500) | |
| Payables: | |

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Dividends and distributions to shareholders
 Securities purchased
 Options written
 Investment adviser
 Variation margin

Accrued expenses

Total liabilities

=====
 Net Assets

Net assets

=====
 Capital

Common Stock, par value \$.001 per share, 100,000,000 shares authorized
 Paid-in capital in excess of par
 Undistributed investment income -- net
 Accumulated realized capital losses -- net
 Unrealized appreciation -- net

Total accumulated losses -- net

Total capital -- Equivalent to \$17.19 per share based on 13,644,510 shares
 of Common Stock outstanding (market price -- \$15.74)

See Notes to Financial Statements.

10 SMALL CAP PREMIUM & DIVIDEND INCOME FUND INC. DECEMBER 31, 2007

Statement of Operations

For the Year Ended December 31, 2007

=====
 Investment Income

Dividends (including \$11,690 from affiliates and net of \$806 foreign
 withholding tax)
 Interest
 Total income

=====
 Expenses

Investment advisory fees
 Accounting services
 Professional fees
 Directors' fees and expenses
 Transfer agent fees
 Repurchase offer
 Listing fees
 Other

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Total expenses before reimbursement
 Reimbursement of expenses
 Total expenses after reimbursement
 Investment income -- net

=====
 Realized & Unrealized Gain (Loss) -- Net

Realized gain (loss) on:
 Investments (including \$304 from affiliates) -- net
 Financial futures contracts -- net
 Options written -- net
 Change in unrealized appreciation/depreciation on:
 Investments -- net
 Financial futures contracts -- net
 Options written -- net
 Total realized and unrealized gain -- net
 Net Increase in Net Assets Resulting from Operations

See Notes to Financial Statements.

SMALL CAP PREMIUM & DIVIDEND INCOME FUND INC. DECEMBER 31, 2007 11

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets:
 =====

Operations

Investment income -- net
 Realized gain -- net
 Unrealized appreciation/depreciation -- net
 Net increase in net assets resulting from operations

=====
 Dividends & Distributions to Shareholders

Investment income -- net
 Realized gain -- net
 Tax return of capital
 Net decrease in net assets resulting from dividends and distributions
 to shareholders

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Common Stock Transactions

```

-----
Adjustment of offering costs resulting from the issuance of Common Stock .....
Net redemption of Common Stock resulting from a repurchase offer
  (includes $3,451 and $45,013 of repurchase fees, respectively) .....
Value of shares issued to Common Stock shareholders in reinvestment of
  dividends and distributions .....

Net increase (decrease) in net assets resulting from Common Stock transactions .....
=====

```

Net Assets

```

-----
Total decrease in net assets .....
Beginning of year .....

End of year* .....

  * Undistributed investment income -- net .....

```

See Notes to Financial Statements.

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Financial Highlights

The following per share data and ratios have been derived from information provided in the financial statements. For the Y
Decemb

2007

Per Share Operating Performance

```

-----
Net asset value, beginning of period ..... $    18.80
-----
Investment income -- net*** ..... .09
Realized and unrealized gain (loss) -- net ..... .29++
-----
Total from investment operations ..... .38
-----
Less dividends and distributions:
  Investment income -- net ..... (.08)
  Realized gain -- net ..... (1.59)
  Tax return of capital ..... (.33)
-----
Total dividends and distributions ..... (2.00)
-----
Offering costs and adjustments resulting from
  the issuance of Common Stock ..... .01
-----
Net asset value, end of period ..... $    17.19
=====
Market price per share, end of period ..... $    15.74
=====

```


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=====
Total Investment Return**

| | |
|--|---------|
| Based on net asset value per share | 2.63% |
| Based on market price per share | (9.36%) |

=====
Ratios to Average Net Assets

| | |
|--------------------------------------|-------|
| Expenses | 1.05% |
| Expenses, net of reimbursement | 1.03% |
| Investment income -- net | .49% |

=====
Supplemental Data

| | |
|--|------------|
| Net assets, end of period (in thousands) | \$ 234,552 |
| Portfolio turnover | 15% |

- * Annualized.
- ** Total investment returns based on market value, which can be significantly greater or lesser than the net asset value, may result in substantially different returns. Total investment returns exclude the effects of sales charges.
- *** Based on average shares outstanding.
- + Commencement of operations.
- ++ Includes repurchase fees, which are less than \$.01 per share.
- @ Aggregate total investment return.

See Notes to Financial Statements.

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Notes to Financial Statements

1. Significant Accounting Policies:

Small Cap Premium & Dividend Income Fund Inc. (the "Fund") is registered under the Investment Company Act of 1940, as amended, as a diversified, closed-end management investment company with a fixed term of existence of approximately five years. The Fund's financial statements are prepared in conformity with U.S. generally accepted accounting principles, which may require the use of management accruals and estimates. Actual results may differ from these estimates. The Fund determines and makes available for publication the net asset value of its Common Stock on a daily basis. The Fund's Common Stock shares are listed on the New York Stock Exchange ("NYSE") under the symbol RCC. The following is a summary of significant accounting policies followed by the Fund.

(a) Valuation of investments -- Equity securities held by the Fund that are traded on stock exchanges or the NASDAQ Global Market are valued at the last sale price or official close price on the exchange, as of the close of business on the day the securities are being valued or, lacking any sales, at the last available bid price for long positions, and at the last available asked price for short positions. In cases where equity securities are traded on more than

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one exchange, the securities are valued on the exchange designated as the primary market by or under the authority of the Board of Directors of the Fund. Long positions traded in the over-the-counter ("OTC") market, NASDAQ Capital Market or Bulletin Board are valued at the last available bid price or yield equivalent obtained from one or more dealers or pricing services approved by the Board of Directors of the Fund. Short positions traded in the OTC market are valued at the last available asked price. Portfolio securities that are traded both in the OTC market and on a stock exchange are valued according to the broadest and most representative market.

Effective September 4, 2007, exchange-traded options are valued at the mean between the last bid and ask prices at the close of the options market in which the options trade and previously were valued at the last sales price. Options traded in the OTC market are valued at the last asked price (options written) or the last bid price (options purchased). Swap agreements are valued based upon quoted fair valuations received daily by the Fund from a pricing service or counterparty. Financial futures contracts and options thereon, which are traded on exchanges, are valued at their last sale price as of the close of such exchanges. Obligations with remaining maturities of 60 days or less are valued at amortized cost unless the investment adviser believes that this method no longer produces fair valuations.

Repurchase agreements are valued at cost plus accrued interest. The Fund employs pricing services to provide certain securities prices for the Fund. Securities and assets for which market quotations are not readily available are valued at fair value as determined in good faith by or under the direction of the Board of Directors of the Fund, including valuations furnished by the pricing services retained by the Fund, which may use a matrix system for valuations. The procedures of a pricing service and its valuations are reviewed by the officers of the Fund under the general supervision of the Fund's Board of Directors. Such valuations and procedures will be reviewed periodically by the Board of Directors of the Fund.

Generally, trading in foreign securities, as well as U.S. government securities, money market instruments and certain fixed income securities, is substantially completed each day at various times prior to the close of business on the NYSE. The values of such securities used in computing the net asset value of the Fund's shares are determined as of such times. Foreign currency exchange rates generally will be determined as of the close of business on the NYSE. Occasionally, events affecting the values of such securities and such exchange rates may occur between the times at which they are determined and the close of business on the NYSE that may not be reflected in the computation of the Fund's net asset value. If events (for example, a company announcement, market volatility or a natural disaster) occur during such periods that are expected to materially affect the value of such securities, those securities may be valued at their fair value as determined in good faith by the Fund's Board of Directors or by the investment adviser using a pricing service and/or procedures approved by the Fund's Board of Directors.

(b) Derivative financial instruments -- The Fund will engage in various portfolio investment strategies both to enhance its returns or as a proxy for a direct investment in securities underlying the Fund's index. Losses may arise due to changes in the value of the contract due to an unfavorable change in the price of the underlying security or index, or if the counterparty does not perform under the contract. The counterparty for certain instruments may pledge cash or securities as collateral.

o Options -- The Fund purchases and writes call options. When the Fund writes an option, an amount equal to the premium received by the Fund is reflected as an asset and an equivalent liability. The amount of the liability is subsequently marked-to-market to reflect the current market value of the option written. When a security is purchased or sold through

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an exercise of an option, the related

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SMALL CAP PREMIUM & DIVIDEND INCOME FUND INC.

DECEMBER 31, 2007

Notes to Financial Statements (continued)

premium paid (or received) is added to (or deducted from) the basis of the security acquired or deducted from (or added to) the proceeds of the security sold. When an option expires (or the Fund enters into a closing transaction), the Fund realizes a gain or loss on the option to the extent of the premiums received or paid (or gain or loss to the extent the cost of the closing transaction exceeds the premium paid or received). Written and purchased options are non-income producing investments.

- o Financial futures contracts -- The Fund may purchase or sell financial futures contracts and options on such financial futures contracts. Financial futures contracts are contracts for delayed delivery of securities at a specific future date and at a specific price or yield. Upon entering into a contract, the Fund deposits, and maintains as collateral, such initial margin as required by the exchange on which the transaction is effected. Pursuant to the contract, the Fund agrees to receive from or pay to the broker an amount of cash equal to the daily fluctuation in value of the contract. Such receipts or payments are known as variation margin and are recorded by the Fund as unrealized gains or losses. When the contract is closed, the Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

(c) Income taxes -- It is the Fund's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its taxable income to its shareholders. Therefore, no federal income tax provision is required.

(d) Security transactions and investment income -- Security transactions are recorded on the dates the transactions are entered into (the trade dates). Realized gains and losses on security transactions are determined on the identified cost basis. Dividend income is recorded on the ex-dividend dates. Interest income is recognized on the accrual basis.

(e) Dividends and distributions -- Dividends and distributions paid by the Fund are recorded on the ex-dividend dates. Portions of the distributions paid by the Fund during the years ended December 31, 2007 and December 31, 2006 were characterized as a tax return of capital.

(f) Offering expenses -- Direct expenses relating to the public offering of the Fund's Common Stock were charged to capital at the time of issuance of the shares. Any adjustments to estimates of offering costs were recorded to capital.

(g) Recent accounting pronouncements -- Effective June 29, 2007, the Fund implemented Financial Accounting Standards Board ("FASB") Interpretation No. 48, "Accounting for Uncertainty in Income Taxes -- an interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 prescribes the minimum recognition threshold a tax position must meet in connection with accounting for uncertainties in income tax positions taken or expected to be taken by an entity, including investment companies, before being measured and recognized in the financial statements. Management has evaluated the application of FIN 48 to the Fund, and has determined that the adoption of FIN 48 does not have a material impact on the Fund's financial statements. The Fund files U.S. and various state tax returns. No income tax returns are currently under examination. All tax years of the Fund are open at this time.

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In September 2006, Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("FAS 157"), was issued and is effective for fiscal years beginning after November 15, 2007. FAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The impact on the Fund's financial statement disclosures, if any, is currently being assessed.

In addition, in February 2007, Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("FAS 159"), was issued and is effective for fiscal years beginning after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provisions of FAS 157. FAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. FAS 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. The impact on the Fund's financial statement disclosures, if any, is currently being assessed.

(h) Reclassification -- U.S. generally accepted accounting principles require that certain components of net assets be adjusted to reflect permanent differences between financial and tax reporting. Accordingly, during the current year, \$39,108 has been reclassified between paid-in capital in excess of par and accumulated distributions in excess of net investment income as a result of a permanent difference attributable to non-deductible expenses. This reclassification has no effect on net assets or net asset values per share.

SMALL CAP PREMIUM & DIVIDEND INCOME FUND INC.

DECEMBER 31, 2007

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Notes to Financial Statements (continued)

2. Investment Advisory Agreement and Transactions with Affiliates:

The Fund has entered into an Investment Advisory and Management Agreement with IQ Investment Advisors LLC ("IQ"), an indirect subsidiary of Merrill Lynch & Co., Inc. ("ML & Co."). IQ is responsible for the investment advisory, management and administrative services to the Fund. In addition, IQ provides the necessary personnel, facilities, equipment and certain other services necessary to the operations of the Fund. For such services, the Fund pays a monthly fee at an annual rate equal to .90% of the average daily value of the Fund's net assets plus borrowings for leverage and other investment purposes. In addition, IQ has entered into a Subadvisory Agreement with BlackRock Investment Management, LLC (the "Subadviser"), an indirect, wholly owned subsidiary of BlackRock, Inc. ("BlackRock"), pursuant to which the Subadviser provides certain investment advisory services to IQ with respect to the Fund. For such services, IQ pays the Subadviser a monthly fee at an annual rate of .39% of the average daily value of the Fund's net assets plus borrowings for leverage and other investment purposes. There is no increase in the aggregate fees paid by the Fund for these services.

IQ has entered into an Administration Agreement with Princeton Administrators, LLC (the "Administrator"). The Administration Agreement provides that IQ pays the Administrator a fee from its investment advisory fee at an annual rate equal to .12% of the average daily value of the Fund's net assets plus borrowings for leverage and other investment purposes for the performance of administrative and other services necessary for the operation of the Fund. There is no increase in the aggregate fees paid by the Fund for these services. The Administrator is an indirect subsidiary of BlackRock. ML & Co. is a principal owner of BlackRock.

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Merrill Lynch, Pierce, Fenner & Smith Incorporated, an affiliate of IQ, received \$3,872 in commissions on the execution of portfolio security transactions for the Fund for the year ended December 31, 2007.

Certain officers of the Fund are officers and/or directors of IQ, ML & Co., BlackRock or its affiliates.

3. Investments:

Purchases and sales of investments, excluding short-term securities, for the year ended December 31, 2007 were \$34,485,542 and \$58,931,921, respectively.

Transactions in options written for the year ended December 31, 2007 were as follows:

| | Number of Contracts | Premiums Received |
|---|------------------------|----------------------|
| Outstanding call options written, at beginning of year | 1,650 | \$ 2,422,350 |
| Options written | 23,290 | 38,925,940 |
| Options expired | (5,925) | (8,552,214) |
| Options closed | (17,515) | (29,560,576) |
| Outstanding call options written, at end of year | 1,500 | \$ 3,235,500 |
| | | |

4. Common Stock Transactions:

The Fund is authorized to issue 100,000,000 shares of stock, par value \$.001 per share, all of which were initially classified as Common Stock. The Board of Directors is authorized, however, to classify and reclassify any unissued shares of Common Stock without approval of the holders of Common Stock.

Shares issued and outstanding during the year ended December 31, 2007 increased by 82,012 as a result of dividend and distribution reinvestments and decreased by 49,300 as a result of a repurchase offer. Shares issued and outstanding during the year ended December 31, 2006 increased by 107,871 as a result of dividend reinvestments and decreased by 4,501,309 as a result of a repurchase offer.

Subject to the approval of the Board of Directors, the Fund will make offers to repurchase its shares at annual (approximately 12-month) intervals. The shares tendered in the repurchase offer will be subject to a repurchase fee retained by the Fund to compensate the Fund for expenses directly related to the repurchase offer.

With regard to repurchase fees, IQ will reimburse the Fund for the cost of expenses paid in excess of 2% of the value of the shares that are repurchased.

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Notes to Financial Statements (concluded)

5. Distributions to Shareholders:

The tax character of distributions paid during the years ended December 31, 2007

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and December 31, 2006 was as follows:

| | 12/31/2007 | 12/31/2006 |
|-------------------------------|--------------|--------------|
| Distributions paid from: | | |
| Ordinary income | \$18,128,392 | \$24,149,954 |
| Long-term capital gains | 4,626,661 | 5,729,370 |
| Tax return of capital | 4,501,255 | 1,629,839 |
| Total distributions | \$27,256,308 | \$31,509,163 |
| | ===== | ===== |

As of December 31, 2007 the components of accumulated losses on a tax basis were as follows:

| | |
|--|------------------|
| Undistributed ordinary income -- net | -- |
| Undistributed long-term capital gains -- net | -- |
| ----- | |
| Total undistributed earnings -- net | -- |
| Capital loss carryforward | -- |
| Unrealized losses -- net | \$(10,974,157) * |
| ----- | |
| Total accumulated losses -- net | \$(10,974,157) |
| | ===== |

* The difference between book-basis and tax-basis net unrealized losses is attributable primarily to the tax deferral of losses on straddles, the realization for tax purposes of unrealized gains (losses) on certain financial futures contracts and options, the deferral of post-October capital losses for tax purposes, the realization for tax purposes of unrealized gains (losses) on certain securities that are part of a straddle and other book/tax temporary differences.

SMALL CAP PREMIUM & DIVIDEND INCOME FUND INC. DECEMBER 31, 2007 17

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Small Cap Premium & Dividend Income Fund Inc.:

We have audited the accompanying statement of assets, liabilities and capital, including the summary schedule of investments, of Small Cap Premium & Dividend Income Fund Inc. as of December 31, 2007, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the respective periods presented. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of

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expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2007, by correspondence with the custodian and brokers; where replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Small Cap Premium & Dividend Income Fund Inc. as of December 31, 2007, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and its financial highlights for each of the respective periods presented, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP
Princeton, NJ
February 29, 2008

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Fundamental Periodic Repurchase Policy

The Board of Directors approved a fundamental policy whereby the Fund would adopt an "interval fund" structure pursuant to Rule 23c-3 under the Investment Company Act of 1940, as amended (the "1940 Act"). As an interval fund, the Fund will make annual repurchase offers at net asset value (less repurchase fee not to exceed 2%) to all Fund shareholders. The percentage of outstanding shares that the Fund can repurchase in each offer will be established by the Fund's Board of Directors shortly before the commencement of each offer, and will be between 5% and 25% of the Fund's then outstanding shares.

The Fund has adopted the following fundamental policy regarding periodic repurchases:

- a) The Fund will make offers to repurchase its shares at annual (approximately 12-month) intervals pursuant to Rule 23c-3 under the 1940 Act ("Offers"). The Board of Directors may place such conditions and limitations on an Offer, as may be permitted under Rule 23c-3.
- b) The repurchase request deadline for each Offer, by which the Fund must receive repurchase requests submitted by shareholders in response to the most recent Offer, will be on approximately the anniversary of the prior year's repurchase request deadline; and will be the fourteenth day prior to such exercise date; provided, that in the event that such day is not a business day, the repurchase request deadline will be the business day subsequent to the fourteenth day prior to the exercise date of the call spreads and written call options (the "Repurchase Request Deadline").
- c) The maximum number of days between a Repurchase Request Deadline and the next repurchase pricing date will be fourteen days; provided that if the fourteenth day after a Repurchase Request Deadline is not a business day, the repurchase pricing date shall be the next business day (the "Repurchase Pricing Date").
- d) Offers may be suspended or postponed under certain circumstances, as provided for in Rule 23c-3. (For further details, see Note 4 to the Financial

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Statements.)

Under the terms of the Offer for the most recent annual period, the Fund offered to purchase up to 684,690 shares from shareholders at an amount per share equal to the Fund's net asset value per share calculated as of the close of business of the New York Stock Exchange on July 20, 2007, ten business days after Friday, July 6, 2007, the Repurchase Request Deadline. As of July 20, 2007, 49,300 shares, or .36% of the Fund's outstanding shares, were repurchased by the Fund at \$18.82 per share (subject to a repurchase fee of .38% of the net asset value per share), the Fund's net asset value per share was determined as of 4:00 p.m. EST, Friday, July 20, 2007.

Fund Certification

In May 2007, the Fund filed its Chief Executive Officer Certification for the prior year with the New York Stock Exchange pursuant to Section 303A.12(a) of the New York Stock Exchange Corporate Governance Listing Standards.

The Fund's Chief Executive Officer and Chief Financial Officer Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 were filed with the Fund's Form N-CSR and are available on the Securities and Exchange Commission's website at <http://www.sec.gov>.

Important Tax Information

The following information is provided with respect to the taxable ordinary income portion of the distribution paid by Small Cap Premium & Dividend Income Fund Inc. to shareholders of record on June 21, 2007 and December 20, 2007:

| | |
|--|----------|
| Qualified Dividend Income for Individuals | .13%* |
| Dividends Qualifying for the Dividends Received Deduction for Corporations ... | .12%* |
| Interest-Related Dividends for Non-U.S. Residents | 5.73%** |
| Short-Term Capital Gain Dividends for Non-U.S. Residents | 62.48%** |

* The Fund hereby designates the percentage indicated above or the maximum amount allowable by law.

** Represents the portion of the taxable ordinary income dividends eligible for exemption from U.S. withholding tax for nonresident aliens and foreign corporations.

Additionally, the Fund distributed long-term capital gains of \$.169750 per share to shareholders of record on June 21, 2007 and December 20, 2007.

SMALL CAP PREMIUM & DIVIDEND INCOME FUND INC.

DECEMBER 31, 2007

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Automatic Dividend Reinvestment Plan

How the Plan Works -- The Fund offers a Dividend Reinvestment Plan (the "Plan") under which income and capital gains dividends paid by the Fund are automatically reinvested in additional shares of Common Stock of the Fund. The Plan is administered on behalf of the shareholders by The Bank of New York Mellon (the "Plan Agent"). Under the Plan, whenever the Fund declares a dividend, participants in the Plan will receive the equivalent in shares of Common Stock of the Fund. The Plan Agent will acquire the shares for the participant's account either (i) through receipt of additional unissued but

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authorized shares of the Fund ("newly issued shares") or (ii) by purchase of outstanding shares of Common Stock on the open market on the New York Stock Exchange or elsewhere. If, on the dividend payment date, the Fund's net asset value per share is equal to or less than the market price per share plus estimated brokerage commissions (a condition often referred to as a "market premium"), the Plan Agent will invest the dividend amount in newly issued shares. If the Fund's net asset value per share is greater than the market price per share (a condition often referred to as a "market discount"), the Plan Agent will invest the dividend amount by purchasing on the open market additional shares. If the Plan Agent is unable to invest the full dividend amount in open market purchases, or if the market discount shifts to a market premium during the purchase period, the Plan Agent will invest any uninvested portion in newly issued shares. The shares acquired are credited to each shareholder's account. The amount credited is determined by dividing the dollar amount of the dividend by either (i) when the shares are newly issued, the net asset value per share on the date the shares are issued or (ii) when shares are purchased in the open market, the average purchase price per share.

Participation in the Plan -- Participation in the Plan is automatic, that is, a shareholder is automatically enrolled in the Plan when he or she purchases shares of Common Stock of the Fund unless the shareholder specifically elects not to participate in the Plan. Shareholders who elect not to participate will receive all dividend distributions in cash. Shareholders who do not wish to participate in the Plan, must advise the Plan Agent in writing (at the address set forth below) that they elect not to participate in the Plan. Participation in the Plan is completely voluntary and may be terminated or resumed at any time without penalty by writing to the Plan Agent.

Benefits of the Plan -- The Plan provides an easy, convenient way for shareholders to make additional, regular investments in the Fund. The Plan promotes a long-term strategy of investing at a lower cost. All shares acquired pursuant to the Plan receive voting rights. In addition, if the market price plus commissions of the Fund's shares is above the net asset value, participants in the Plan will receive shares of the Fund for less than they could otherwise purchase them and with a cash value greater than the value of any cash distribution they would have received. However, there may not be enough shares available in the market to make distributions in shares at prices below the net asset value. Also, since the Fund does not redeem shares, the price on resale may be more or less than the net asset value.

Plan Fees -- There are no enrollment fees or brokerage fees for participating in the Plan. The Plan Agent's service fees for handling the reinvestment of distributions are paid for by the Fund. However, brokerage commissions may be incurred when the Fund purchases shares on the open market and shareholders will pay a pro rata share of any such commissions.

Tax Implications -- The automatic reinvestment of dividends and distributions will not relieve participants of any federal, state or local income tax that may be payable (or required to be withheld) on such dividends. Therefore, income and capital gains may still be realized even though shareholders do not receive cash. Participation in the Plan generally will not affect the tax-exempt status of exempt interest dividends paid by the Fund. If, when the Fund's shares are trading at a market premium, the Fund issues shares pursuant to the Plan that have a greater fair market value than the amount of cash reinvested, it is possible that all or a portion of the discount from the market value (which may not exceed 5% of the fair market value of the Fund's shares) could be viewed as a taxable distribution. If the discount is viewed as a taxable distribution, it is also possible that the taxable character of this discount would be allocable to all the shareholders, including shareholders who do not participate in the Plan. Thus, shareholders who do not participate in the Plan might be required to report as ordinary income a portion of their distributions equal to their allocable share of the discount.

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Contact Information -- All correspondence concerning the Plan, including any questions about the Plan, should be directed to the Plan Agent at BNY Mellon Shareowner Services, P.O. Box 358035, Pittsburgh, PA 15252-8035, Telephone: 877-296-3711.

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Directors and Officers

| Name | Address & Age | Position(s) Held with Fund | Length of Time Served** | Principal Occupation(s) During Past 5 Years |
|---------------------------|---|--|-------------------------|---|
| Non-Interested Directors* | | | | |
| Paul Glasserman | P.O. Box 9095 Princeton, NJ 08543-9095 Age: 45 | Director & Chairman of the Audit Committee | 2005 to present | Professor, Columbia University Business School since 1991; Senior Vice Dean since July 2004. |
| Steven W. Kohlhagen | P.O. Box 9095 Princeton, NJ 08543-9095 Age: 60 | Director & Chairman of Nominating & Corporate Governance Committee | 2005 to present | Retired since August 2002; Managing Director, Wachovia National Bank and its predecessors (1992 - 2002). |
| William J. Rainer | P.O. Box 9095 Princeton, NJ 08543-9095 Age: 61 | Director & Chairman of the Board | 2005 to present | Retired since November 2004; Chairman and Chief Executive Officer, OneChicago, LLC, a designated contract market (2001 - 2004); Chairman, U.S. Commodity Futures Trading Commission (1999 - 2001). |
| Laura S. Unger | P.O. Box 9095 Princeton, NJ 08543-9095 Age: 46 | Director | 2007 to present | Independent Consultant; Commissioner of the Securities and Exchange Commission (1997 - 2002), including Acting Chairperson of the SEC from February to August 2001; Regulatory Expert for CNBC (2002 - 2003). |

* Each of the Non-Interested Directors is a member of the Audit Committee and the Governance Committee.

** Each Director will serve for a term of one year and until his successor is elected, death, resignation or removal as provided in the Fund's Bylaws, charter or by s

SMALL CAP PREMIUM & DIVIDEND INCOME FUND INC. DECEMBER 31, 2007 21

Directors and Officers (concluded)

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| Name | Address & Age | Position(s) Held with Fund | Length of Time Served | Principal Occupation(s) During Past 5 Years |
|-----------------------------|---|--|-----------------------------|---|
| Fund Officers* | | | | |
| Mitchell M. Cox | P.O. Box 9011 Princeton, NJ 08543-9011 Age: 42 | President | 2005 to present | IQ Investment Advisors LLC, President since 2007; Director, Head of Global Investments & Insurance Alternative Investments since 2008; MLPF&S, Manager of Global Wealth Products Group since 2007; Head of Global Wealth Origination (2003 - 2007); MLPF&S, FAM Distributor since 2006; IQ Financial Products LLC, Director since 2006. |
| Justin C. Ferri | P.O. Box 9011 Princeton, NJ 08543-9011 Age: 32 | Vice President | 2005 to present | IQ Investment Advisors LLC, Vice President since 2007; Director, Structured and Alternative Solutions in 2007; Structured and Alternative Solutions in 2007; Market Investments & Origination (2005 - 2007); Private Client Market Investments & Origination in 2007; Head of Global Private Client Rampart Equity Division since 2007; Vice President, Co-Head Global Private Client Investments (2002 - 2004); mPower Advisors LLC, Vice President (1999 - 2002). |
| Donald C. Burke | P.O. Box 9011 Princeton, NJ 08543-9011 Age: 47 | Vice President and Secretary | 2005 to present | IQ Investment Advisors LLC, Secretary and Treasurer since 2006; BlackRock, Inc., Managing Director since 2006; Manager, L.P. ("MLIM") and Fund Asset Management since 2006; MLIM and FAM, First Vice President (1999 - 2006); Princeton Services, Inc., Senior Vice President (2006). |
| James E. Hillman | P.O. Box 9011 Princeton, NJ 08543-9011 Age: 50 | Vice President and Treasurer | 2007 to present | IQ Investment Advisors LLC, Treasurer since 2007; Structured and Alternative Solutions since 2007; Structured and Alternative Solutions in 2007; Management Market Investments & Origination (Solutions) since 2007; Account Advisors LLC, Vice President and Treasurer since 2007; Director, Citigroup Alternative Investments Team since 2006; Director, Korea Equity Inc. Fund in 2006 to September 2006; Managing Director, The Bank of America since 2006. |
| Catherine A. Johnston | P.O. Box 9011 Princeton, NJ 08543-9011 Age: 53 | Chief Compliance Officer | 2007 to present | IQ Investment Advisors LLC, Chief Compliance Officer since 2007; Lynch & Co., Inc., Director, Corporate Compliance since 2007; BlackRock, Inc., Director (2006 - 2007); MLIM, Director (1998 - 2003). |
| Martin G. Byrne | P.O. Box 9011 Princeton, NJ 08543-9011 Age: 45 | Chief Legal Officer | 2006 to present | IQ Investment Advisors LLC, Chief Legal Officer since 2006; Co., Inc., Office of General Counsel, Managing Director since 2006; President (2002 - 2006), Director (2000 - 2002); Chief Legal Officer since November 2006; FAMD, Director (2006). |
| Jay M. Fife | P.O. Box 9011 Princeton, NJ 08543-9011 Age: 37 | Vice President | 2005 to present | IQ Investment Advisors LLC, Vice President (2007 - present); Managing Director since 2007; BlackRock, Inc., Director (2000 - 2006); MLPF&S, Director (2000) and Vice President (2006). |
| Colleen R. Rusch | P.O. Box 9011 Princeton, NJ 08543-9011 Age: 40 | Vice President and Assistant Secretary | 2005 to present | IQ Investment Advisors LLC, Chief Administrative Officer since 2007, Vice President since 2005; MLPF&S, Director of Structured and Alternative Solutions since 2007; MLPF&S, Director, Global Wealth Investments & Origination (2005 - 2007); MLIM, Director (2006 - 2007); July 2005; Vice President of MLIM (1998 - 2004). |

* Officers of the Fund serve at the pleasure of the Board of Directors.

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Custodian

State Street Bank and Trust Company
P.O. Box 351
Boston, MA 02101

Transfer Agent

BNY Mellon Shareowner Services
480 Washington Boulevard
Jersey City, NJ 07310

NYSE Symbol

RCC

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Availability of Quarterly Schedule of Investments

The Fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission ("SEC") for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available on the SEC's website at <http://www.sec.gov>. The Fund's Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

Electronic Delivery

The Fund offers electronic delivery of communications to its shareholders. In order to receive this service, you must register your account and provide us with e-mail information. To sign up for this service, simply access this website at <http://www.icsdelivery.com/live> and follow the instructions.

When you visit this site, you will obtain a personal identification number (PIN). You will need this PIN should you wish to update your e-mail address, choose to discontinue this service and/or make any other changes to the service. This service is not available for certain retirement accounts at this time.

Contact Information

For more information regarding the Fund, please visit www.IQIAFunds.com or contact us at 1-877-449-4742.

SMALL CAP PREMIUM & DIVIDEND INCOME FUND INC. DECEMBER 31, 2007 23

[LOGO]
IQ
INVESTMENT
ADVISORS

www.IQIAFunds.com

Small Cap Premium & Dividend Income Fund Inc. seeks to provide shareholders with a high level of income, with a secondary goal of capital appreciation.

This report, including the financial information herein, is transmitted to

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shareholders of Small Cap Premium & Dividend Income Fund Inc. for their information. It is not a prospectus. Past performance results shown in this report should not be considered a representation of future performance. Statements and other information herein are as dated and are subject to change.

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available without charge at www.IQIAFunds.com/proxyvoting.asp; or upon request by calling toll-free 1-877-449-4742 or through the Securities and Exchange Commission's website at <http://www.sec.gov>. Information about how the Fund voted proxies relating to securities held in the Fund's portfolio during the most recent 12-month period ended June 30 is available (1) at www.IQIAFunds.com/proxyvoting.asp; and (2) on the Securities and Exchange Commission's website at <http://www.sec.gov>.

Small Cap Premium & Dividend Income Fund Inc.
P.O. Box 9011
Princeton, NJ 08543-9011

#IQRCC -- 12/07

Item 2 - Code of Ethics - The registrant (or the "Fund") has adopted a code of ethics, as of the end of the period covered by this report, that applies to the registrant's principal executive officer, principal financial officer and principal accounting officer, or persons performing similar functions. During the period covered by this report, there have been no amendments to or waivers granted under the code of ethics. A copy of the code of ethics is available without charge upon request by calling toll-free 1-877-449-4742.

Item 3 - Audit Committee Financial Expert - The registrant's board of directors has determined that (i) the registrant has the following audit committee financial experts serving on its audit committee and (ii) each audit committee financial expert is independent: (1) Alan R. Batkin (resigned as of February 22, 2007) and (2) Steven W. Kohlhagen.

Under applicable securities laws, a person determined to be an audit committee financial expert will not be deemed an "expert" for any purpose, including without limitation for the purposes of Section 11 of the Securities Act of 1933, as a result of being designated or identified as an audit committee financial expert. The designation or identification as an audit committee financial expert does not impose on such person any duties, obligations, or liabilities greater than the duties, obligations, and liabilities imposed on such person as a member of the audit committee and board of directors in the absence of such designation or identification.

Item 4 - Principal Accountant Fees and Services

| Registrant Name | (a) Audit Fees | | (b) Audit-Related Fees(1) | | (c) Tax Fees(2) | |
|-------------------|-------------------------|--------------------------|---------------------------|--------------------------|-------------------------|--------------------------|
| | Current Fiscal Year End | Previous Fiscal Year End | Current Fiscal Year End | Previous Fiscal Year End | Current Fiscal Year End | Previous Fiscal Year End |
| Small Cap Premium | | | | | | |

Small Cap Premium

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| | | | | | | |
|--------------------------------|----------|----------|-----|-----|---------|------|
| & Dividend Income Fund Inc. | \$33,000 | \$33,000 | \$0 | \$0 | \$8,500 | \$19 |
|--------------------------------|----------|----------|-----|-----|---------|------|

- 1 The nature of the services include assurance and related services reasonably related to the performance of the audit of financial statements not included in Audit Fees.
- 2 The nature of the services include tax compliance, tax advice and tax planning.

(e) (1) Audit Committee Pre-Approval Policies and Procedures:

The registrant's audit committee (the "Committee") has adopted policies and procedures with regard to the pre-approval of services. Audit, audit-related and tax compliance services provided to the registrant on an annual basis require specific pre-approval by the Committee. The Committee also must approve other non-audit services provided to the registrant and those non-audit services provided to the registrant's affiliated service providers that relate directly to the operations and the financial reporting of the registrant. Certain of these non-audit services that the Committee believes are a) consistent with the SEC's auditor independence rules and b) routine and recurring services that will not impair the independence of the independent accountants may be approved by the Committee without consideration on a specific case-by-case basis ("general pre-approval"). However, such services will only be deemed pre-approved provided that any individual project does not exceed \$5,000 attributable to the registrant or \$50,000 for all of the registrants the Committee oversees. Any proposed services exceeding the pre-approved cost levels will require specific pre-approval by the Committee, as will any other services not subject to general pre-approval (e.g., unanticipated but permissible services). The Committee is informed of each service approved subject to general pre-approval at the next regularly scheduled in-person board meeting.

(e) (2) None of the services described in each of Items 4(b) through (d) were approved by the audit committee pursuant to paragraph (c) (7) (i) (C) of Rule 2-01 of Regulation S-X.

(f) Not Applicable

(g) Affiliates' Aggregate Non-Audit Fees:

| Registrant Name | Current Fiscal Year End | Previous Fiscal Year End |
|--|----------------------------|-----------------------------|
| Small Cap Premium & Dividend Income Fund Inc. | \$2,102,500 | \$1,980,000 |

(h) The registrant's audit committee has considered and determined that the provision of non-audit services that were rendered to the registrant's investment adviser (not including any non-affiliated sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by the registrant's investment adviser), and any entity controlling, controlled by, or under common control with the investment adviser that provides ongoing services

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to the registrant that were not pre-approved pursuant to paragraph (c) (7) (ii) of Rule 2-01 of Regulation S-X is compatible with maintaining the principal accountant's independence.

Regulation S-X Rule 2-01(c) (7) (ii) - \$0, 0%

Item 5 - Audit Committee of Listed Registrants - The following individuals are members of the registrant's separately-designated standing audit committee established in accordance with Section 3(a) (58) (A) of the Exchange Act (15 U.S.C. 78c(a) (58) (A)):

Alan R. Batkin (resigned as of February 22, 2007)
 Steven W. Kohlhagen
 Paul Glasserman
 William J. Rainer
 Laura S. Unger (effective September 12, 2007)

Item 6 - Schedule of Investments - attached hereto.

Small Cap Premium & Dividend Income Fund Inc.
 Schedule of Investments as of December 31, 2007 (in U.S. dollars)

| Industry | Shares Held | Common Stocks |
|---|----------------|-----------------------------------|
| Advertising Agencies - 0.4% | 2,700 | DG FastChannel, Inc. (a) |
| | 2,800 | Greenfield Online, Inc. (a) |
| | 5,100 | inVentiv Health, Inc. (a) |
| | 4,000 | Marchex, Inc. Class B |
| | 6,800 | National CineMedia, Inc. |
| | 7,800 | Valassis Communications, Inc. (a) |
| | 16,230 | ValueClick, Inc. (a) |
| Aerospace - 0.7% | 800 | AeroVironment, Inc. (a) |
| | 2,100 | Argon ST, Inc. (a) |
| | 7,200 | Curtiss-Wright Corp. |
| | 4,200 | Heico Corp. |
| | 2,500 | Ladish Co., Inc. (a) |
| | 1,500 | MTC Technologies, Inc. (a) |
| | 6,300 | Moog, Inc. Class A (a) |
| | 9,600 | Orbital Sciences Corp. (a) |
| | 5,700 | Teledyne Technologies, Inc. (a) |
| | 1,500 | TransDigm Group, Inc. (a) |
| Agriculture, Fishing & Ranching - 0.1% | 600 | Alico, Inc. |
| | 2,300 | The Andersons, Inc. |
| | 1,400 | Cadiz, Inc. (a) |
| Air Transport - 0.7% | 6,300 | AAR Corp. (a) (c) |
| | 9,600 | ABX Holdings, Inc. (a) |
| | 14,900 | AirTran Holdings, Inc. (a) |

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| | |
|--------|--|
| 6,500 | Alaska Air Group, Inc. (a) |
| 500 | Allegiant Travel Co. (a) |
| 2,300 | Atlas Air Worldwide Holdings, Inc. (a) |
| 3,400 | Bristow Group, Inc. (a) |
| 8,600 | ExpressJet Holdings, Inc. (a) |
| 28,700 | JetBlue Airways Corp. (a) |
| 3,400 | Midwest Air Group, Inc. (a) |
| 2,500 | PHI, Inc. (a) |
| 2,300 | Pinnacle Airlines Corp. (a) |
| 5,700 | Republic Airways Holdings, Inc. (a) |
| 9,800 | SkyWest, Inc. |

| | | |
|-----------------|-------|--------------------------|
| Aluminum - 0.2% | 4,710 | Century Aluminum Co. (a) |
| | 2,300 | Kaiser Aluminum Corp. |

| | | |
|---------------------------------|-------|---|
| Auto Parts: After Market - 0.1% | 3,600 | Aftermarket Technology Corp. (a) |
| | 3,500 | Commercial Vehicle Group, Inc. (a) |
| | 1,600 | Standard Motor Products, Inc. |
| | 3,100 | Superior Industries International, Inc. |

| | | |
|---------------------------------------|--------|--|
| Auto Parts: Original Equipment - 0.5% | 6,600 | American Axle & Manufacturing Holdings, Inc. |
| | 3,000 | Amerigon Inc. (a) |
| | 11,500 | ArvinMeritor, Inc. |
| | 16,300 | Hayes Lemmerz International, Inc. (a) |
| | 12,370 | Lear Corp. (a) |
| | 2,550 | Noble International Ltd. |
| | 1,300 | Sauer-Danfoss, Inc. |
| | 1,300 | Stoneridge, Inc. (a) |
| | 7,500 | Tenneco, Inc. (a) |
| | 21,100 | Visteon Corp. (a) |

Small Cap Premium & Dividend Income Fund Inc.
 Schedule of Investments as of December 31, 2007 (in U.S. dollars)

| Industry | Shares Held | Common Stocks |
|-----------------------------|-------------|-------------------------------------|
| Auto, Trucks & Parts - 0.1% | 3,300 | Accuride Corp. (a) |
| | 10,400 | Force Protection, Inc. (a) |
| | 1,500 | Miller Industries, Inc. (a) |
| | 5,200 | Modine Manufacturing Co. |
| | 4,500 | Spartan Motors, Inc. |
| | 5,200 | Wabash National Corp. |
| Banks: New York City - 0.1% | 4,700 | Beneficial Mutual Bancorp, Inc. (a) |

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4,800 Signature Bank (a)

| | | |
|------------------------------|--------|--|
| Banks: Outside New York City | 2,100 | 1st Source Corp. |
| - 4.8% | 700 | Abington Bancorp, Inc. |
| | 2,600 | Alabama National Bancorp. |
| | 3,800 | Amcore Financial, Inc. |
| | 2,800 | AmericanWest Bancorp |
| | 2,200 | Ameris Bancorp |
| | 1,200 | Bancfirst Corp. |
| | 3,700 | Banco Latinoamericano de Exportaciones, SA 'E' |
| | 2,000 | The Bancorp, Inc. (a) |
| | 2,000 | Bank of the Ozarks, Inc. |
| | 3,800 | BankFinancial Corp. |
| | 2,100 | Banner Corp. |
| | 6,200 | Boston Private Financial Holdings, Inc. |
| | 10,842 | CVB Financial Corp. |
| | 2,100 | Capital City Bank Group, Inc. |
| | 1,600 | Capital Corp. of the West |
| | 2,300 | Capitol Bancorp Ltd. |
| | 4,400 | Cascade Bancorp |
| | 8,300 | Cathay General Bancorp |
| | 9,000 | Centennial Bank Holdings, Inc. (a) |
| | 2,100 | Center Financial Corp. |
| | 5,000 | Central Pacific Financial Corp. |
| | 4,000 | Chemical Financial Corp. |
| | 7,500 | Chittenden Corp. |
| | 12,100 | Citizens Banking Corp. |
| | 3,100 | City Holding Co. |
| | 2,100 | CityBank |
| | 800 | Clifton Savings Bancorp, Inc. |
| | 2,600 | CoBiz Financial, Inc. |
| | 2,700 | Columbia Banking System, Inc. |
| | 1,700 | Community Bancorp (a) |
| | 4,900 | Community Bank System, Inc. |
| | 2,600 | Community Trust Bancorp, Inc. |
| | 6,300 | Corus Bankshares, Inc. |
| | 1,700 | Enterprise Financial Services Corp. |
| | 13,700 | First BanCorp |
| | 1,600 | First Bancorp |
| | 3,600 | First Busey Corp. |
| | 5,500 | First Charter Corp. |
| | 12,000 | First Commonwealth Financial Corp. |
| | 3,929 | First Community Bancorp, Inc. |
| | 1,600 | First Community Bancshares, Inc. |
| | 5,400 | First Financial Bancorp |
| | 3,400 | First Financial Bankshares, Inc. |
| | 2,500 | First Financial Corp. |
| | 3,000 | First Merchants Corp. |
| | 7,800 | First Midwest Bancorp, Inc. |
| | 1,400 | First Regional Bancorp (a) |

Small Cap Premium & Dividend Income Fund Inc.
 Schedule of Investments as of December 31, 2007

(in U.S. dollars)

Shares

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| Industry | Held | Common Stocks |
|----------|--------|--|
| | 1,350 | First South Bancorp, Inc. |
| | 3,300 | First State Bancorp. |
| | 13,000 | FirstMerit Corp. |
| | 4,100 | Franklin Bank Corp. (a) |
| | 6,350 | Frontier Financial Corp. |
| | 8,550 | Glacier Bancorp, Inc. |
| | 1,400 | Greene County Bancshares, Inc. |
| | 4,400 | Hancock Holding Co. |
| | 6,800 | Hanmi Financial Corp. |
| | 5,103 | Harleysville National Corp. |
| | 2,100 | Heartland Financial USA, Inc. |
| | 1,900 | Heritage Commerce Corp. |
| | 1,391 | Home Bancshares, Inc. |
| | 2,600 | Independent Bank Corp./MA |
| | 4,005 | Independent Bank Corp./MI |
| | 3,400 | Integra Bank Corp. |
| | 8,326 | International Bancshares Corp. |
| | 8,300 | Investors Bancorp, Inc. (a) |
| | 3,600 | Irwin Financial Corp. |
| | 2,866 | Lakeland Bancorp, Inc. |
| | 2,000 | Lakeland Financial Corp. |
| | 5,477 | MB Financial, Inc. |
| | 2,477 | Macatawa Bank Corp. |
| | 3,080 | MainSource Financial Group, Inc. |
| | 2,900 | Midwest Banc Holdings, Inc. |
| | 5,500 | NBT Bancorp, Inc. |
| | 3,700 | Nara Bancorp, Inc. |
| | 7,951 | National Penn Bancshares, Inc. |
| | 2,200 | Northfield Bancorp, Inc. (a) |
| | 11,400 | Old National Bancorp |
| | 2,253 | Old Second Bancorp, Inc. |
| | 2,100 | Omega Financial Corp. |
| | 3,700 | Oriental Financial Group |
| | 7,900 | Pacific Capital Bancorp |
| | 2,000 | Park National Corp. |
| | 1,700 | Peoples Bancorp, Inc. |
| | 2,700 | Pinnacle Financial Partners, Inc. (a) |
| | 2,800 | Piper Jaffray Cos. (a) |
| | 1,450 | Preferred Bank |
| | 3,100 | PrivateBancorp, Inc. |
| | 5,800 | Prosperity Bancshares, Inc. |
| | 5,700 | Provident Bankshares Corp. |
| | 2,850 | Renasant Corp. |
| | 1,511 | Republic Bancorp, Inc. Class A |
| | 100 | Royal Bancshares of Pennsylvania Class A |
| | 4,000 | S&T Bancorp, Inc. |
| | 1,260 | SCBT Financial Corp. |
| | 5,500 | SVB Financial Group (a) |
| | 1,785 | SY Bancorp, Inc. |
| | 2,600 | Sandy Spring Bancorp, Inc. |
| | 200 | Santander BanCorp |
| | 2,400 | Seacoast Banking Corp. of Florida |
| | 2,500 | Security Bank Corp. |
| | 800 | Sierra Bancorp |
| | 2,300 | Simmons First National Corp. Class A |
| | 11,200 | The South Financial Group, Inc. |
| | 1,782 | Southside Bancshares, Inc. |
| | 2,500 | Southwest Bancorp, Inc. |

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Small Cap Premium & Dividend Income Fund Inc.
 Schedule of Investments as of December 31, 2007

(in U.S. dollars)

| Industry | Shares Held | Common Stocks |
|---|----------------|--|
| | 12,100 | Sterling Bancshares, Inc. |
| | 4,500 | Sterling Financial Corp. |
| | 1,800 | Suffolk Bancorp |
| | 2,390 | Sun Bancorp, Inc. (a) |
| | 4,800 | Superior Bancorp (a) |
| | 13,174 | Susquehanna Bancshares, Inc. |
| | 900 | Taylor Capital Group, Inc. |
| | 4,100 | Texas Capital Bancshares, Inc. (a) |
| | 1,290 | Tompkins Trustco, Inc. |
| | 2,300 | Trico Bancshares |
| | 13,100 | TrustCo Bank Corp. NY |
| | 8,200 | Trustmark Corp. |
| | 16,300 | UCBH Holdings, Inc. |
| | 4,800 | UMB Financial Corp. |
| | 9,888 | Umpqua Holdings Corp. |
| | 2,150 | Union Bankshares Corp. |
| | 6,500 | United Bankshares, Inc. |
| | 6,000 | United Community Banks, Inc. |
| | 700 | United Security Bancshares |
| | 2,000 | Univest Corp. of Pennsylvania |
| | 2,970 | Virginia Commerce Bancorp (a) |
| | 2,300 | Washington Trust Bancorp, Inc. |
| | 3,900 | WesBanco, Inc. |
| | 2,600 | West Coast Bancorp |
| | 5,100 | Westamerica Bancorp. |
| | 2,300 | Western Alliance Bancorp (a) |
| | 2,700 | Wilshire Bancorp, Inc. |
| | 3,500 | Wintrust Financial Corp. |
| <hr/> | | |
| Beverage: Brewers (Wineries) - 0.0% | 1,600 | Boston Beer Co., Inc. Class A (a) |
| <hr/> | | |
| Beverage: Soft Drinks - 0.1% | 800 | Coca-Cola Bottling Co. Consolidated |
| | 600 | Farmer Bros. Co. |
| | 2,700 | Green Mountain Coffee Roasters, Inc. (a) |
| | 5,100 | Jones Soda Co. (a) |
| | 1,680 | National Beverage Corp. |
| | 2,400 | Peet's Coffee & Tea, Inc. (a) |
| <hr/> | | |
| Biotechnology Research & Production - 2.5% | 2,790 | AMAG Pharmaceuticals, Inc. (a) |
| | 5,600 | Acadia Pharmaceuticals, Inc. (a)(c) |
| | 4,300 | Acorda Therapeutics, Inc. (a) |
| | 4,400 | Albany Molecular Research, Inc. (a) |
| | 5,900 | Alexion Pharmaceuticals, Inc. (a) |
| | 7,800 | Allos Therapeutics, Inc. (a) |
| | 5,900 | Alnylam Pharmaceuticals, Inc. (a) |

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| | |
|--------|--|
| 2,200 | Altus Pharmaceuticals, Inc. (a) |
| 7,900 | American Oriental Bioengineering, Inc. (a) |
| 1,000 | Amicus Therapeutics, Inc. (a) |
| 12,700 | Applera Corp. - Celera Genomics Group (a) |
| 12,000 | Arena Pharmaceuticals, Inc. (a) |
| 12,700 | Ariad Pharmaceuticals, Inc. (a) |
| 5,000 | Arqule, Inc. (a) |
| 6,900 | Array Biopharma, Inc. (a) |
| 4,200 | ArthroCare Corp. (a) |
| 500 | Biodel, Inc. (a) |
| 4,300 | Bionovo, Inc. (a) |
| 11,900 | Cell Genesys, Inc. (a) |
| 9,300 | Cubist Pharmaceuticals, Inc. (a)(c) |
| 6,400 | Cypress Bioscience, Inc. (a) |

Small Cap Premium & Dividend Income Fund Inc.
 Schedule of Investments as of December 31, 2007

(in U.S. dollars)

| Industry | Shares Held | Common Stocks |
|----------|----------------|---|
| ----- | | |
| | 4,100 | Cytokinetics, Inc. (a) |
| | 16,700 | Discovery Laboratories, Inc. (a) |
| | 17,200 | Encysive Pharmaceuticals, Inc. (a) |
| | 7,600 | Enzon Pharmaceuticals, Inc. (a) |
| | 15,900 | Exelixis, Inc. (a) |
| | 15,200 | GenVec, Inc. (a) |
| | 1,800 | Genomic Health, Inc. (a) |
| | 11,900 | Geron Corp. (a) |
| | 9,300 | Halozyme Therapeutics, Inc. (a) |
| | 21,900 | Human Genome Sciences, Inc. (a) |
| | 4,100 | Idenix Pharmaceuticals, Inc. (a) |
| | 12,400 | Immunomedics, Inc. (a) |
| | 14,200 | Incyte Corp. (a) |
| | 2,900 | Integra LifeSciences Holdings Corp. (a) |
| | 4,600 | InterMune, Inc. (a) |
| | 2,200 | Kendle International, Inc. (a) |
| | 2,200 | Kensey Nash Corp. (a) |
| | 7,100 | Keryx Biopharmaceuticals, Inc. (a) |
| | 4,900 | Kosan Biosciences, Inc. (a) |
| | 8,500 | MannKind Corp. (a) |
| | 4,900 | Martek Biosciences Corp. (a) |
| | 4,000 | Maxygen, Inc. (a) |
| | 3,900 | Medivation, Inc. |
| | 2,000 | Metabolix, Inc. (a) |
| | 3,800 | Momenta Pharmaceuticals, Inc. (a) |
| | 6,900 | Myriad Genetics, Inc. (a) |
| | 9,900 | Nabi Biopharmaceuticals (a) |
| | 600 | Nanosphere, Inc. (a) |
| | 5,200 | Nastech Pharmaceutical Co., Inc. (a) |
| | 6,600 | Neurocrine Biosciences, Inc. (a) |
| | 3,000 | Neurogen Corp. (a) |
| | 2,500 | Novacea, Inc. (a) |
| | 9,500 | OSI Pharmaceuticals, Inc. (a) |
| | 2,400 | Omrix Biopharmaceuticals, Inc. (a) |
| | 700 | Orexigen Therapeutics, Inc. (a) |

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| | |
|--------|---|
| 2,800 | Osiris Therapeutics, Inc. (a) |
| 2,800 | PharmaNet Development Group, Inc. (a) |
| 5,200 | Poniard Pharmaceuticals, Inc. (a) |
| 3,900 | Progenics Pharmaceuticals, Inc. (a) |
| 1,860 | Protalix BioTherapeutics, Inc. (a) |
| 3,800 | Regeneration Technologies, Inc. (a) |
| 4,500 | Rigel Pharmaceuticals, Inc. (a) |
| 8,204 | Savient Pharmaceuticals, Inc. (a) |
| 7,100 | Seattle Genetics, Inc. (a) |
| 300 | Sucampo Pharmaceuticals, Inc. Class A (a) |
| 1,200 | Synta Pharmaceuticals Corp. (a) |
| 9,200 | Telik, Inc. (a) |
| 4,300 | Tercica, Inc. (a) |
| 5,100 | Vanda Pharmaceuticals, Inc. (a) |
| 11,400 | ViroPharma, Inc. (a) |
| 19,000 | XOMA Ltd. (a) |
| 6,300 | ZymoGenetics, Inc. (a) |

| | | |
|---------------------------|-------|---------------------------------|
| Building Materials - 0.5% | 1,500 | Ameron International Corp. |
| | 1,900 | BlueLinx Holdings, Inc. |
| | 4,600 | Building Material Holding Corp. |
| | 3,000 | LSI Industries, Inc. |
| | 3,300 | NCI Building Systems, Inc. (a) |

Small Cap Premium & Dividend Income Fund Inc.
 Schedule of Investments as of December 31, 2007 (in U.S. dollars)

| Industry | Shares Held | Common Stocks |
|--|----------------|---------------------------------|
| | 200 | PGT, Inc. (a) |
| | 6,000 | Simpson Manufacturing Co., Inc. |
| | 4,390 | Texas Industries, Inc. |
| | 2,100 | Trex Co., Inc. (a) |
| | 3,700 | Watsco, Inc. |
| | 3,800 | Zoltek Cos., Inc. (a) |
| <hr/> | | |
| Building: Cement - 0.0% | 5,500 | U.S. Concrete, Inc. (a) |
| <hr/> | | |
| Building: Heating & Plumbing - 0.1% | 1,800 | Aaon, Inc. (c) |
| | 4,500 | Interline Brands, Inc. (a) |
| <hr/> | | |
| Building: Miscellaneous - 0.2% | 2,500 | Builders FirstSource, Inc. (a) |
| | 7,100 | Comfort Systems USA, Inc. |
| | 3,000 | Drew Industries, Inc. (a) |
| | 5,600 | Goodman Global, Inc. (a) |
| | 5,100 | Griffon Corp. (a) |

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| | | |
|---|--------|--|
| Building: Roofing & Wallboard - 0.0% | 7,700 | Beacon Roofing Supply, Inc. (a) |
| <hr/> | | |
| Cable Television Services - 0.1% | 71,400 | Charter Communications, Inc. Class A (a) |
| | 4,100 | Crown Media Holdings, Inc. Class A (a) |
| | 15,900 | TiVo, Inc. (a) |
| <hr/> | | |
| Casinos & Gambling - 0.6% | 4,300 | Ameristar Casinos, Inc. |
| | 8,700 | Bally Technologies, Inc. (a) |
| | 1,300 | Churchill Downs, Inc. |
| | 2,550 | Dover Downs Gaming & Entertainment, Inc. |
| | 2,600 | Isle of Capri Casinos, Inc. (a) |
| | 3,500 | Lakes Entertainment, Inc. (a) |
| | 4,000 | MTR Gaming Group, Inc. (a) |
| | 8,500 | Magna Entertainment Corp. Class A (a) |
| | 1,600 | Monarch Casino & Resort, Inc. (a) |
| | 4,600 | Multimedia Games, Inc. (a) |
| | 9,740 | Pinnacle Entertainment, Inc. (a) |
| | 1,700 | Riviera Holdings Corp. (a) |
| | 5,700 | Shuffle Master, Inc. (a) |
| | 5,100 | Trump Entertainment Resorts, Inc. (a) |
| | 6,550 | WMS Industries, Inc. (a) |
| <hr/> | | |
| Chemicals - 1.8% | 3,000 | American Vanguard Corp. |
| | 3,800 | Arch Chemicals, Inc. |
| | 2,900 | Balchem Corp. |
| | 8,900 | CF Industries Holdings, Inc. |
| | 3,500 | Cabot Microelectronics Corp. (a) |
| | 5,900 | Calgon Carbon Corp. (a) |
| | 4,700 | Cambrex Corp. |
| | 3,000 | EnerSys (a) |
| | 6,100 | Energy Conversion Devices, Inc. (a) |
| | 11,100 | Exide Technologies (a) |
| | 5,600 | Georgia Gulf Corp. |
| | 19,300 | Hercules, Inc. |
| | 2,700 | Innophos Holdings, Inc. |
| | 4,000 | Innospec, Inc. |
| | 2,800 | LSB Industries, Inc. (a) |
| | 2,800 | Landec Corp. (a) |
| | 3,600 | Medis Technologies Ltd. (a) |
| | 1,300 | NL Industries, Inc. |
| | 2,100 | NewMarket Corp. |

Small Cap Premium & Dividend Income Fund Inc.
Schedule of Investments as of December 31, 2007

(in U.S. dollars)

| Industry | Shares Held | Common Stocks |
|----------|----------------|--------------------|
| | 2,500 | Nuco2, Inc. (a) |
| | 4,600 | OM Group, Inc. (a) |
| | 15,100 | PolyOne Corp. (a) |

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1,900 Polypore International, Inc. (a)
 5,700 Rockwood Holdings, Inc. (a)
 4,800 Schulman A, Inc.
 5,800 Senomyx, Inc. (a)
 4,000 ShengdaTech, Inc. (a)
 1,000 Stepan Co.
 5,000 Tronox, Inc. Class A
 2,300 Tronox, Inc. Class B
 8,400 UAP Holding Corp.
 11,500 W.R. Grace & Co. (a)
 3,750 Zep, Inc. (a)

Coal - 0.2%
 10,200 Alpha Natural Resources, Inc. (a)
 19,800 International Coal Group, Inc. (a)
 1,500 US BioEnergy Corp. (a)

Commercial Information
 Services - 0.1%
 4,300 Arbitron, Inc.
 900 HSW International, Inc. (a)
 5,300 infoUSA, Inc.
 4,300 LECG Corp. (a)
 3,800 LoopNet, Inc. (a)

Communications & Media - 0.1%
 11,300 Entravision Communications Corp. Class A (a)
 40,800 Gemstar-TV Guide International, Inc. (a)
 3,600 Knology, Inc. (a)

Communications Technology - 2.4%
 63,300 3Com Corp. (a)
 2,900 Acme Packet, Inc. (a)
 9,500 Adtran, Inc.
 3,000 Anaren, Inc. (a)
 5,000 Anixter International, Inc. (a) (c)
 800 Aruba Networks, Inc. (a)
 9,000 Atheros Communications, Inc. (a)
 28,800 Avanex Corp. (a)
 8,180 Avocent Corp. (a)
 1,800 Bel Fuse, Inc.
 1,000 BigBand Networks, Inc. (a)
 3,000 Black Box Corp.
 600 CPI International, Inc. (a)
 6,500 CSG Systems International, Inc. (a)
 3,100 Cbeyond Communications, Inc. (a)
 8,200 Cogent Communications Group, Inc. (a) (c)
 2,800 Comtech Group, Inc. (a)
 3,500 Comtech Telecommunications Corp. (a)
 4,100 Digi International, Inc. (a)
 5,400 Ditech Networks, Inc. (a)
 2,400 EMS Technologies, Inc. (a)
 5,100 Echelon Corp. (a)
 20,500 Extreme Networks, Inc. (a)
 39,900 Finisar Corp. (a)
 23,500 Foundry Networks, Inc. (a)
 2,600 GeoEye, Inc. (a)
 14,200 Harmonic, Inc. (a)
 4,100 Harris Stratex Networks, Inc. Class A (a)

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Small Cap Premium & Dividend Income Fund Inc.
 Schedule of Investments as of December 31, 2007

(in U.S. dollars)

| Industry | Shares Held | Common Stocks |
|--|----------------|--|
| <hr/> | | |
| | 800 | Hughes Communications, Inc. (a) |
| | 2,100 | Infinera Corp. (a) |
| | 7,600 | InterDigital, Inc. (a) |
| | 6,700 | InterVoice, Inc. (a) |
| | 7,100 | Ixia (a) |
| | 8,000 | j2 Global Communications, Inc. (a) |
| | 1,900 | Loral Space & Communications Ltd. (a) |
| | 5,600 | NETGEAR, Inc. (a) |
| | 3,400 | Network Equipment Technologies, Inc. (a) |
| | 3,400 | Nextwave Wireless, Inc. (a) |
| | 5,600 | Novatel Wireless, Inc. (a) |
| | 3,428 | Oplink Communications, Inc. (a) |
| | 2,900 | Optium Corp. (a) |
| | 3,800 | SeaChange International, Inc. (a) |
| | 7,750 | Secure Computing Corp. (a) |
| | 900 | Shoretel, Inc. (a) |
| | 42,900 | Sonus Networks, Inc. (a) |
| | 3,900 | Standard Microsystems Corp. (a) |
| | 1,700 | Starent Networks Corp. (a) |
| | 2,600 | Switch and Data Facilities Co., Inc. (a) |
| | 29,700 | Sycamore Networks, Inc. (a) |
| | 4,100 | Syniverse Holdings, Inc. (a) |
| | 30,800 | TIBCO Software, Inc. (a) |
| | 10,100 | Tekelec (a) |
| | 7,800 | Terremark Worldwide, Inc. (a) |
| | 17,300 | UTStarcom, Inc. (a) |
| | 3,900 | Viasat, Inc. (a) |
| | 6,700 | Vonage Holdings Corp. (a) |
| <hr/> | | |
| Computer Services Software & Systems - 5.5% | 600 | 3PAR, Inc. (a) |
| | 6,000 | ACI Worldwide, Inc. (a)(c) |
| | 9,900 | Actuate Corp. (a) |
| | 4,600 | American Reprographics Co. (a) |
| | 2,800 | Ansoft Corp. (a) |
| | 12,600 | Ansys, Inc. (a) |
| | 13,000 | Ariba, Inc. (a) |
| | 20,800 | Art Technology Group, Inc. (a) |
| | 4,400 | AsiaInfo Holdings, Inc. (a) |
| | 13,740 | Aspen Technology, Inc. (a) |
| | 34,000 | BearingPoint, Inc. (a) |
| | 7,200 | Blackbaud, Inc. |
| | 4,800 | Blackboard, Inc. (a) |
| | 600 | BladeLogic, Inc. (a) |
| | 5,000 | Blue Coat Systems, Inc. (a) |
| | 13,600 | Borland Software Corp. (a) |
| | 3,500 | Bottomline Technologies, Inc. (a) |
| | 5,000 | CACI International, Inc. Class A (a) |

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| | |
|-------|-----------------------------------|
| 8,100 | CMGI, Inc. (a) |
| 2,900 | COMSYS IT Partners, Inc. (a) |
| 5,360 | Chordiant Software, Inc. (a) |
| 9,500 | Ciber, Inc. (a) |
| 1,200 | ComScore, Inc. (a) |
| 6,200 | Commvault Systems, Inc. (a) |
| 500 | Compellent Technologies, Inc. (a) |
| 700 | Comverge, Inc. (a) |
| 6,600 | Concur Technologies, Inc. (a) |
| 800 | Constant Contact, Inc. (a) |
| 5,400 | DealerTrack Holdings, Inc. (a) |

Small Cap Premium & Dividend Income Fund Inc.
 Schedule of Investments as of December 31, 2007

(in U.S. dollars)

| Industry | Shares Held | Common Stocks |
|----------|----------------|---|
| ----- | | |
| | 800 | Delrek, Inc. (a) |
| | 6,700 | Digital River, Inc. (a) |
| | 3,200 | DivX, Inc. (a) |
| | 1,700 | Double-Take Software, Inc. (a) |
| | 4,400 | EPIQ Systems, Inc. (a) |
| | 9,200 | Electronics for Imaging, Inc. (a) |
| | 9,600 | Epicor Software Corp. (a) |
| | 5,800 | Equinix, Inc. (a) |
| | 11,200 | Gartner, Inc. Class A (a) |
| | 2,300 | i2 Technologies, Inc. (a) |
| | 2,600 | iGate Corp. (a) |
| | 2,600 | Imergent, Inc. |
| | 14,600 | Informatica Corp. (a) |
| | 3,700 | Information Services Group, Inc. (a) |
| | 1,621 | Integral Systems, Inc. |
| | 1,800 | Interactive Intelligence, Inc. (a) |
| | 6,300 | Internet Capital Group, Inc. (a) |
| | 7,500 | Interwoven, Inc. (a) |
| | 4,500 | JDA Software Group, Inc. (a) |
| | 4,400 | Kenexa Corp. (a) |
| | 1,700 | Keynote Systems, Inc. (a) |
| | 20,900 | Lawson Software, Inc. (a) |
| | 2,000 | Limelight Networks, Inc. (a) |
| | 9,800 | Lionbridge Technologies, Inc. (a) |
| | 7,800 | LivePerson, Inc. (a) |
| | 6,200 | MSC.Software Corp. (a) |
| | 8,600 | Macrovision Corp. (a) |
| | 6,100 | Magma Design Automation, Inc. (a) |
| | 4,500 | Manhattan Associates, Inc. (a) |
| | 3,100 | Mantech International Corp. Class A (a) |
| | 13,900 | Mentor Graphics Corp. (a) |
| | 2,500 | Mercadolibre, Inc. (a) |
| | 3,700 | Mercury Computer Systems, Inc. (a) |
| | 1,600 | MicroStrategy, Inc. Class A (a) |
| | 6,600 | Micros Systems, Inc. (a) |
| | 1,200 | Monotype Imaging Holdings, Inc. (a) |
| | 5,200 | Ness Technologies, Inc. (a) |
| | 1,100 | Netezza Corp. (a) |

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| | |
|--------|-------------------------------------|
| 23,500 | Nuance Communications, Inc. (a) |
| 5,400 | Omniture, Inc. (a) |
| 23,600 | On2 Technologies, Inc. (a) |
| 9,700 | OpenTV Corp. (a) |
| 13,500 | Openwave Systems, Inc. |
| 3,500 | PDF Solutions, Inc. (a) |
| 800 | PROS Holdings, Inc. (a) |
| 6,100 | Packeteer, Inc. (a) |
| 19,020 | Parametric Technology Corp. (a) |
| 1,300 | Pegasystems, Inc. |
| 6,900 | Progress Software Corp. (a) |
| 1,200 | QAD, Inc. |
| 11,100 | Quest Software, Inc. (a) |
| 16,600 | RealNetworks, Inc. (a) |
| 2,700 | RightNow Technologies, Inc. (a) |
| 26,140 | SAIC, Inc. (a) |
| 4,450 | SAVVIS, Inc. (a) |
| 2,100 | SI International, Inc. (a) |
| 3,000 | SPSS, Inc. (a) |
| 6,700 | SRA International, Inc. Class A (a) |
| 5,100 | SYKES Enterprises, Inc. (a) |

Small Cap Premium & Dividend Income Fund Inc.
 Schedule of Investments as of December 31, 2007

(in U.S. dollars)

| Industry | Shares Held | Common Stocks |
|----------|----------------|---|
| ----- | | |
| | 2,000 | SYNNEX Corp. (a) |
| | 14,200 | Sapient Corp. (a) |
| | 4,600 | Sigma Designs, Inc. (a) |
| | 5,600 | Smith Micro Software, Inc. (a) |
| | 3,800 | Solera Holdings, Inc. (a) |
| | 10,500 | SonicWALL, Inc. (a) |
| | 200 | Sourcefire, Inc. (a) |
| | 14,000 | Sourceforge, Inc. (a) |
| | 1,000 | Stanley, Inc. (a) |
| | 900 | SuccessFactors, Inc. (a) |
| | 14,700 | Sybase, Inc. (a) |
| | 2,800 | Synchronoss Technologies, Inc. (a) |
| | 1,800 | Syntel, Inc. |
| | 2,700 | Taleo Corp. Class A (a) |
| | 700 | TechTarget, Inc. (a) |
| | 7,400 | The TriZetto Group, Inc. (a) |
| | 6,900 | Tyler Technologies, Inc. (a) |
| | 4,200 | Ultimate Software Group, Inc. (a) |
| | 800 | Unica Corp. (a) |
| | 4,500 | VASCO Data Security International, Inc. (a) |
| | 4,900 | Vignette Corp. (a) |
| | 200 | Virtusa Corp. (a) |
| | 3,700 | Visual Sciences, Inc. (a) |
| | 7,600 | Websense, Inc. (a) |
| | 12,700 | Wind River Systems, Inc. (a) |
| | 8,100 | Zoran Corp. (a) |

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| | | |
|----------------------------|--------|--|
| Computer Technology - 0.8% | 19,500 | Adaptec, Inc. (a) |
| | 6,200 | Advanced Analogic Technologies, Inc. (a) |
| | 6,600 | Cray, Inc. (a) |
| | 1,100 | Data Domain, Inc. (a) |
| | 13,800 | Emulex Corp. (a) |
| | 5,900 | FalconStor Software, Inc. (a) |
| | 3,800 | Hutchinson Technology, Inc. (a) |
| | 5,700 | Imation Corp. |
| | 5,400 | Immersion Corp. (a) |
| | 9,300 | Intermec, Inc. (a) |
| | 300 | Isilon Systems, Inc. (a) |
| | 15,500 | Palm, Inc. |
| | 14,100 | Perot Systems Corp. Class A (a) |
| | 31,900 | Quantum Corp. (a) |
| | 4,900 | Rackable Systems, Inc. (a) |
| | 4,400 | Radiant Systems, Inc. (a) |
| | 3,700 | Radisys Corp. (a) |
| | 2,000 | Rimage Corp. (a) |
| | 6,000 | STEC, Inc. (a) |
| | 19,700 | Safeguard Scientifics, Inc. (a) |
| | 600 | Silicon Graphics, Inc. (a) |
| | 3,600 | Stratasys, Inc. (a) |
| | 3,900 | Synaptics, Inc. (a) |
| | 10,000 | Trident Microsystems, Inc. (a) |

| | | |
|---------------------|--------|---------------------------------|
| Construction - 0.3% | 2,163 | Brookfield Homes Corp. |
| | 10,300 | EMCOR Group, Inc. (a) |
| | 5,800 | Granite Construction, Inc. |
| | 2,800 | Great Lakes Dredge & Dock Corp. |

Small Cap Premium & Dividend Income Fund Inc.
 Schedule of Investments as of December 31, 2007 (in U.S. dollars)

| | Shares | |
|----------|--------|---------------|
| Industry | Held | Common Stocks |

| | | |
|--|-------|------------------|
| | 4,100 | Perini Corp. (a) |
|--|-------|------------------|

| | | |
|-----------------------------|--------|-------------------------------------|
| Consumer Electronics - 0.8% | 24,600 | CNET Networks, Inc. (a) |
| | 3,000 | DTS, Inc. (a) |
| | 20,100 | EarthLink, Inc. (a) |
| | 100 | Glu Mobile, Inc. (a) |
| | 5,500 | InfoSpace, Inc. |
| | 7,010 | Internap Network Services Corp. (a) |
| | 8,200 | Ipass, Inc. (a) |
| | 3,100 | LoJack Corp. (a) |
| | 6,300 | Midway Games, Inc. (a) |
| | 6,400 | NIC, Inc. |
| | 7,600 | NetFlix, Inc. (a) |
| | 300 | Protection One, Inc. (a) |
| | 4,500 | Sohu.com, Inc. (a) |

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| | | |
|---|--------|--|
| | 10,300 | THQ, Inc. (a) |
| | 11,100 | Take-Two Interactive Software, Inc. (a) |
| | 10,900 | United Online, Inc. |
| | 2,300 | Universal Electronics, Inc. (a) |
| <hr style="border-top: 1px dashed #000;"/> | | |
| Consumer Products - 0.5% | 8,300 | American Greetings Corp. Class A |
| | 4,400 | Blyth, Inc. |
| | 1,300 | CSS Industries, Inc. |
| | 2,700 | Citi Trends, Inc. (a) |
| | 2,700 | Mannatech, Inc. |
| | 5,100 | Matthews International Corp. Class A |
| | 5,000 | Nautilus, Inc. |
| | 3,400 | RC2 Corp. (a) |
| | 6,100 | Smith & Wesson Holding Corp. (a) |
| | 6,400 | Spectrum Brands, Inc. (a) |
| | 10,100 | Tupperware Corp. |
| | 1,600 | USANA Health Sciences, Inc. (a) |
| <hr style="border-top: 1px dashed #000;"/> | | |
| Containers & Packaging: Metals & Glass - 0.5% | 11,200 | AptarGroup, Inc. |
| | 5,200 | Greif, Inc. |
| | 6,200 | Mobile Mini, Inc. (a) |
| | 4,000 | Silgan Holdings, Inc. |
| <hr style="border-top: 1px dashed #000;"/> | | |
| Containers & Packaging: Paper & Plastic - 0.1% | 1,000 | AEP Industries, Inc. (a) |
| | 11,200 | Graphic Packaging Corp. (a) |
| | 4,700 | Myers Industries, Inc. |
| <hr style="border-top: 1px dashed #000;"/> | | |
| Copper - 0.1% | 6,200 | Mueller Industries, Inc. |
| <hr style="border-top: 1px dashed #000;"/> | | |
| Cosmetics - 0.2% | 4,400 | Elizabeth Arden, Inc. (a) |
| | 4,600 | Helen of Troy Ltd. (a) |
| | 1,000 | Inter Parfums, Inc. |
| | 8,700 | Nu Skin Enterprises, Inc. Class A |
| | 31,991 | Revlon, Inc. Class A (a) |
| | 1,600 | Ulta Salon Cosmetics & Fragrance, Inc. (a) |
| <hr style="border-top: 1px dashed #000;"/> | | |
| Diversified Financial Services - 0.6% | 100 | ACA Capital Holdings, Inc. (a) |
| | 7,800 | Aldabra 2 Acquisition Corp. (a) |
| | 800 | Clayton Holdings, Inc. (a) |
| | 1,100 | Duff & Phelps Corp. (a) |
| | 7,500 | Euronet Worldwide, Inc. (a) |
| | 1,800 | Evercore Partners, Inc. Class A |

Small Cap Premium & Dividend Income Fund Inc.
Schedule of Investments as of December 31, 2007

(in U.S. dollars)

Shares

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| Industry | Held | Common Stocks |
|---|--------|--|
| | 1,350 | FCStone Group, Inc. (a) |
| | 9,800 | F.N.B. Corp. |
| | 3,000 | Greenhill & Co., Inc. |
| | 8,400 | Heckmann Corp. (a) |
| | 7,600 | Hicks Acquisition Co. I, Inc. (a) |
| | 3,100 | Huron Consulting Group, Inc. (a) |
| | 6,100 | Interactive Brokers Group, Inc. Class A (a) |
| | 4,800 | Marathon Acquisition Corp. (a) |
| | 5,400 | NRDC Acquisition Corp. (a) |
| | 1,200 | Oritani Financial Corp. (a) |
| | 6,500 | Triplecrown Acquisition Corp. (a) |
| ----- | | |
| Diversified Materials & Processing - 0.8% | 6,700 | Acuity Brands, Inc. |
| | 7,100 | Barnes Group, Inc. |
| | 7,900 | Brady Corp. |
| | 8,300 | Clarcor, Inc. |
| | 15,400 | Hexcel Corp. (a) |
| | 2,600 | Koppers Holdings, Inc. |
| | 12,000 | Olin Corp. |
| | 5,100 | Tredegar Corp. |
| | 1,100 | Valhi, Inc. |
| ----- | | |
| Drug & Grocery Store Chains - 0.6% | 100 | Arden Group, Inc. Class A |
| | 8,500 | Casey's General Stores, Inc. |
| | 4,107 | The Great Atlantic & Pacific Tea Co., Inc. (a) |
| | 2,100 | Ingles Markets, Inc. Class A |
| | 5,300 | Longs Drug Stores Corp. |
| | 2,400 | Nash Finch Co. |
| | 6,800 | Ruddick Corp. |
| | 3,500 | Spartan Stores, Inc. |
| | 400 | Village Super Market, Inc. Class A |
| | 2,000 | Weis Markets, Inc. |
| | 5,000 | Winn-Dixie Stores, Inc. (a) |
| ----- | | |
| Drugs & Pharmaceuticals - 3.0% | 5,500 | Adams Respiratory Therapeutics, Inc. (a) |
| | 400 | Affymax, Inc. (a) |
| | 7,800 | Akorn, Inc. (a) |
| | 2,400 | Alexza Pharmaceuticals, Inc. (a) |
| | 15,700 | Alkermes, Inc. (a) |
| | 6,500 | Alpharma, Inc. Class A (a) |
| | 4,700 | Auxilium Pharmaceuticals, Inc. (a) |
| | 5,600 | Beijing Med-Pharm Corp. (a) |
| | 3,100 | Bentley Pharmaceuticals, Inc. (a) |
| | 700 | BioForm Medical, Inc. (a) |
| | 15,600 | BioMarin Pharmaceuticals, Inc. (a) |
| | 2,100 | Bradley Pharmaceuticals, Inc. (a) |
| | 9,700 | CV Therapeutics, Inc. (a) |
| | 2,000 | Cadence Pharmaceuticals, Inc. (a) |
| | 1,200 | Caraco Pharmaceutical Laboratories Ltd. (a) |
| | 2,900 | Chattem, Inc. (a) |
| | 13,000 | CytRx Corp. (a) |
| | 13,600 | Dendreon Corp. (a) |
| | 10,800 | Durect Corp. (a) |

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| | |
|--------|-----------------------------------|
| 100 | Emergent Biosolutions, Inc. (a) |
| 4,800 | Enzo Biochem, Inc. (a) |
| 2,200 | GTx, Inc. (a) |
| 11,000 | Indevus Pharmaceuticals, Inc. (a) |
| 13,400 | Isis Pharmaceuticals, Inc. (a) |
| 8,600 | Javelin Pharmaceuticals, Inc. (a) |

Small Cap Premium & Dividend Income Fund Inc.

Schedule of Investments as of December 31, 2007

(in U.S. dollars)

| Industry | Shares Held | Common Stocks |
|---------------------------|----------------|--|
| <hr/> | | |
| | 1,400 | Jazz Pharmaceuticals, Inc. (a) |
| | 5,800 | K-V Pharmaceutical Co. Class A (a) |
| | 12,300 | Ligand Pharmaceuticals, Inc. Class B |
| | 500 | MAP Pharmaceuticals, Inc. (a) |
| | 13,000 | MGI Pharma, Inc. (a) |
| | 20,500 | Medarex, Inc. (a) |
| | 8,400 | Medicines Co. (a) |
| | 8,500 | Medicis Pharmaceutical Corp. Class A |
| | 14,900 | Nektar Therapeutics (a) |
| | 4,200 | Noven Pharmaceuticals, Inc. (a) |
| | 500 | Obagi Medical Products, Inc. (a) |
| | 8,920 | Onyx Pharmaceuticals, Inc. (a) |
| | 6,200 | Pain Therapeutics, Inc. (a) |
| | 5,700 | Par Pharmaceutical Cos., Inc. (a) |
| | 4,800 | Penwest Pharmaceuticals Co. (a) |
| | 12,600 | Perrigo Co. |
| | 4,200 | Pharmion Corp. (a) |
| | 4,300 | Pozen, Inc. (a) |
| | 4,700 | Quidel Corp. (a) |
| | 9,900 | Regeneron Pharmaceuticals, Inc. (a) |
| | 8,200 | Salix Pharmaceuticals Ltd. (a) |
| | 11,200 | Santarus, Inc. (a) |
| | 5,500 | Sciele Pharma, Inc. (a) |
| | 1,500 | Sirtris Pharmaceuticals, Inc. (a) |
| | 2,900 | Somaxon Pharmaceuticals, Inc. (a) |
| | 8,700 | SuperGen, Inc. (a) |
| | 700 | Trubion Pharmaceuticals, Inc. (a) |
| | 3,400 | United Therapeutics Corp. (a) |
| | 15,500 | Valeant Pharmaceuticals International (a) |
| | 8,000 | Vivus, Inc. (a) |
| | 3,300 | Xenoport, Inc. (a) |
| <hr/> | | |
| Education Services - 0.6% | 600 | American Public Education, Inc. (a) |
| | 4,300 | Bright Horizons Family Solutions, Inc. (a) |
| | 1,600 | Capella Education Co. (a) |
| | 14,500 | Corinthian Colleges, Inc. (a)(c) |
| | 9,800 | DeVry, Inc. |
| | 100 | Lincoln Educational Services Corp. (a) |
| | 1,200 | Renaissance Learning, Inc. |
| | 2,400 | Strayer Education, Inc. |
| | 3,800 | Universal Technical Institute, Inc. (a) |

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| | | |
|---------------------------------|--------|---------------------------------|
| Electrical & Electronics - 0.3% | 11,300 | Benchmark Electronics, Inc. (a) |
| | 1,700 | Coleman Cable, Inc. (a) |
| | 2,600 | OSI Systems, Inc. (a) |
| | 7,500 | Plexus Corp. (a) |
| | 7,300 | TTM Technologies, Inc. (a) |
| | 4,000 | Universal Display Corp. (a) |

| | | |
|--|-------|-----------------------------------|
| Electrical Equipment & Components - 1.0% | 3,300 | A.O. Smith Corp. |
| | 1,600 | AZZ Inc. (a) |
| | 6,200 | American Superconductor Corp. (a) |
| | 7,470 | Baldor Electric Co. |
| | 5,800 | CTS Corp. |
| | 4,000 | Cohu, Inc. |
| | 3,100 | Franklin Electric Co., Inc. |
| | 4,500 | Genlyte Group, Inc. (a) |
| | 3,900 | Littelfuse, Inc. (a) |

Small Cap Premium & Dividend Income Fund Inc.
 Schedule of Investments as of December 31, 2007

(in U.S. dollars)

| Industry | Shares Held | Common Stocks |
|--|-------------|-------------------------------------|
| | 7,600 | MKS Instruments, Inc. (a) |
| | 1,300 | Powell Industries, Inc. (a) |
| | 12,200 | Power-One, Inc. (a) |
| | 4,300 | Sonic Solutions, Inc. (a) |
| | 10,500 | Taser International, Inc. (a) |
| | 6,600 | Technitrol, Inc. |
| | 2,500 | Triumph Group, Inc. |
| Electrical: Household Appliance - 0.0% | 800 | National Presto Industries, Inc. |
| Electronics - 0.7% | 4,000 | Agilysys, Inc. |
| | 7,300 | Arrowhead Research Corp. (a) |
| | 6,700 | Avid Technology, Inc. (a) |
| | 5,200 | Daktronics, Inc. |
| | 21,600 | Flir Systems, Inc. (a) |
| | 3,900 | II-VI, Inc. (a) |
| | 22,300 | MRV Communications, Inc. (a) |
| | 6,400 | Methode Electronics, Inc. |
| | 1,400 | Multi-Fineline Electronix, Inc. (a) |
| | 3,500 | Park Electrochemical Corp. |
| | 9,400 | Semtech Corp. (a) |
| | 2,100 | Supertex, Inc. (a) |

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| | | |
|---------------------------|-------|-----------------------------------|
| Electronics: Instruments, | 2,400 | Faro Technologies, Inc. (a) |
| Gauges & Meters - 0.3% | 4,890 | Itron, Inc. (a) |
| | 2,700 | Measurement Specialties, Inc. (a) |
| | 700 | OYO Geospace Corp. (a) |
| | 2,700 | Zygo Corp. (a) |

| | | |
|------------------------------|--------|----------------------------------|
| Electronics: Medical Systems | 2,100 | Accuray, Inc. (a) |
| - 1.6% | 10,600 | Affymetrix, Inc. (a) (c) |
| | 2,000 | Analogic Corp. |
| | 2,700 | Aspect Medical Systems, Inc. (a) |
| | 9,800 | Bruker BioSciences Corp. (a) |
| | 1,600 | Cynosure, Inc. Class A (a) |
| | 2,300 | Datascope Corp. |
| | 7,000 | eResearch Technology, Inc. (a) |
| | 3,600 | Greatbatch, Inc. (a) |
| | 4,300 | Haemonetics Corp. (a) |
| | 19,480 | Hologic, Inc. (a) |
| | 8,707 | Illumina, Inc. (a) |
| | 5,600 | Luminex Corp. (a) |
| | 2,000 | Masimo Corp. (a) |
| | 9,700 | Minrad International, Inc. (a) |
| | 4,000 | Natus Medical, Inc. (a) |
| | 3,300 | NxStage Medical, Inc. (a) |
| | 2,800 | Quality Systems, Inc. |
| | 2,900 | Sirona Dental Systems, Inc. (a) |
| | 1,500 | Tomotherapy, Inc. (a) |
| | 2,300 | Visicu, Inc. (a) |
| | 3,400 | Zoll Medical Corp. (a) |

| | | |
|-------------------------------|--------|----------------------------------|
| Electronics: Semi-Conductors/ | 9,700 | AMIS Holdings, Inc. (a) |
| Components - 1.9% | 4,500 | Actel Corp. (a) |
| | 17,000 | Amkor Technology, Inc. (a) |
| | 9,600 | Anadigics, Inc. (a) |
| | 11,675 | Applied Micro Circuits Corp. (a) |

Small Cap Premium & Dividend Income Fund Inc.
 Schedule of Investments as of December 31, 2007 (in U.S. dollars)

| Industry | Shares Held | Common Stocks |
|----------|----------------|-----------------------------|
| | 700 | AuthenTec, Inc. (a) |
| | 700 | Cavium Networks, Inc. (a) |
| | 14,400 | Cirrus Logic, Inc. (a) |
| | 79,800 | Conexant Systems, Inc. (a) |
| | 5,300 | DSP Group, Inc. (a) |
| | 4,800 | Diodes, Inc. (a) |
| | 5,900 | Exar Corp. (a) |
| | 2,300 | Excel Technology, Inc. (a) |
| | 7,800 | Formfactor, Inc. (a) |
| | 6,200 | Genesis Microchip, Inc. (a) |
| | 2,400 | Hittite Microwave Corp. (a) |

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| | |
|--------|--------------------------------------|
| 1,100 | IPG Photonics Corp. (a) |
| 4,200 | IXYS Corp. (a) |
| 19,900 | Lattice Semiconductor Corp. (a) |
| 7,100 | MIPS Technologies, Inc. (a) |
| 9,000 | Micrel, Inc. |
| 12,400 | Microsemi Corp. (a) |
| 8,700 | Microtune, Inc. (a) |
| 3,600 | Monolithic Power Systems, Inc. (a) |
| 2,800 | Netlogic Microsystems, Inc. (a) |
| 37,900 | ON Semiconductor Corp. (a) |
| 8,300 | Omnivision Technologies, Inc. (a) |
| 4,400 | PLX Technology, Inc. (a) |
| 32,900 | PMC-Sierra, Inc. (a) |
| 4,200 | Pericom Semiconductor Corp. (a) |
| 41,037 | RF Micro Devices, Inc. (a) |
| 700 | Rubicon Technology, Inc. (a) |
| 9,800 | SiRF Technology Holdings, Inc. (a) |
| 14,300 | Silicon Image, Inc. (a) |
| 15,400 | Silicon Storage Technology, Inc. (a) |
| 24,800 | Skyworks Solutions, Inc. (a) |
| 13,000 | Spansion LLC Class A (a) |
| 11,800 | Syntax-Brilliant Corp. (a) |
| 3,100 | Techwell, Inc. (a) |
| 7,800 | Tessera Technologies, Inc. (a) |
| 23,700 | TriQuint Semiconductor, Inc. (a) |
| 3,300 | Volterra Semiconductor Corp. (a) |

| | | |
|--------------------------------|--------|--|
| Electronics: Technology - 0.5% | 2,300 | 3D Systems Corp. (a) |
| | 4,600 | Acacia Research - Acacia Technologies (a)(c) |
| | 1,500 | American Science & Engineering, Inc. |
| | 6,700 | Checkpoint Systems, Inc. (a) |
| | 7,100 | Cogent, Inc. (a) |
| | 2,500 | Cubic Corp. |
| | 1,300 | Eagle Test Systems, Inc. (a) |
| | 3,300 | Gerber Scientific, Inc. (a) |
| | 12,600 | ION Geophysical Corp. (a) |
| | 2,100 | Innovative Solutions & Support, Inc. (a) |
| | 5,200 | Ionatron, Inc. (a) |
| | 13,500 | Kemet Corp. (a) |
| | 4,200 | ScanSource, Inc. (a) |
| | 7,300 | Smart Modular Technologies WWH, Inc. (a) |
| | 500 | Super Micro Computer, Inc. (a) |

| | | |
|-----------------------------|-------|--|
| Energy Miscellaneous - 0.7% | 2,100 | Alon USA Energy, Inc. |
| | 600 | Approach Resources, Inc. (a) |
| | 4,930 | Aventine Renewable Energy Holdings, Inc. (a) |
| | 2,800 | CVR Energy, Inc. (a) |

Small Cap Premium & Dividend Income Fund Inc.
Schedule of Investments as of December 31, 2007 (in U.S. dollars)

Industry Shares Held Common Stocks

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| | | |
|---|--------|---|
| | 2,100 | Clean Energy Fuels Corp. (a) |
| | 3,200 | Concho Resources, Inc. (a) |
| | 5,600 | Crosstex Energy, Inc. |
| | 1,400 | Dawson Geophysical Co. (a) |
| | 500 | EnerNOC, Inc. (a) |
| | 12,500 | Evergreen Energy, Inc. (a) |
| | 14,100 | Evergreen Solar, Inc. (a) |
| | 10,800 | FuelCell Energy, Inc. (a) |
| | 1,267 | GeoMet, Inc. (a) |
| | 820 | MarkWest Hydrocarbon, Inc. |
| | 4,500 | Matrix Service Co. (a) |
| | 2,400 | Nova Biosource Fuels, Inc. (a) |
| | 2,100 | Ormat Technologies, Inc. |
| | 5,600 | Pacific Ethanol, Inc. (a) |
| | 6,300 | Penn Virginia Corp. |
| | 30,200 | Rentech, Inc. (a) |
| | 5,300 | Verenium Corp. (a) |
| <hr/> | | |
| Engineering & Contracting Services - 0.3% | 6,800 | Aecom Technology Corp. (a) (c) |
| | 2,500 | Clean Harbors, Inc. (a) |
| | 6,600 | Dycom Industries, Inc. (a) |
| | 3,300 | ENGlobal Corp. (a) |
| | 2,100 | Integrated Electrical Services, Inc. (a) |
| | 2,500 | Layne Christensen Co. (a) |
| | 1,300 | Michael Baker Corp. (a) |
| | 1 | URS Corp. (a) |
| <hr/> | | |
| Entertainment - 0.3% | 2,200 | Carmike Cinemas, Inc. |
| | 3,800 | Cinemark Holdings, Inc. |
| | 6,700 | Gaylord Entertainment Co. (a) |
| | 12,100 | Live Nation, Inc. (a) |
| | 3,600 | Lodgenet Entertainment Corp. (a) |
| | 2,300 | Speedway Motorsports, Inc. |
| <hr/> | | |
| Fertilizers - 0.3% | 15,000 | Terra Industries, Inc. (a) |
| <hr/> | | |
| Finance Companies - 0.1% | 2,100 | Asta Funding, Inc. |
| | 878 | Credit Acceptance Corp. (a) |
| | 3,300 | MVC Capital, Inc. |
| | 1,800 | NewStar Financial, Inc. (a) |
| | 3,100 | World Acceptance Corp. (a) |
| <hr/> | | |
| Finance: Small Loan - 0.1% | 10,900 | Advance America, Cash Advance Centers, Inc. |
| | 2,300 | Dollar Financial Corp. (a) |
| | 3,400 | Encore Capital Group, Inc. (a) |
| | 2,200 | Nelnet, Inc. Class A |
| | 400 | QC Holdings, Inc. |
| <hr/> | | |
| Financial Data Processing Services & Systems - 0.7% | 3,000 | Advent Software, Inc. (a) (c) |
| | 860 | Cass Information Systems, Inc. |

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| | |
|--------|---------------------------------|
| 3,300 | CompuCredit Corp. (a) |
| 10,441 | CyberSource Corp. (a) |
| 8,700 | Deluxe Corp. |
| 4,100 | eSpeed, Inc. Class A (a) |
| 3,300 | ExlService Holdings, Inc. (a) |
| 2,400 | Heartland Payment Systems, Inc. |
| 9,400 | Hypercom Corp. (a) |
| 12,800 | Jack Henry & Associates, Inc. |
| 5,200 | Online Resources Corp. (a) |

Small Cap Premium & Dividend Income Fund Inc.
 Schedule of Investments as of December 31, 2007

(in U.S. dollars)

| Industry | Shares Held | Common Stocks |
|--|----------------|---|
| | 4,200 | TNS, Inc. |
| | 5,300 | TradeStation Group, Inc. (a) |
| | 6,500 | Wright Express Corp. (a) |
| Financial Information Services - 0.3% | 1,600 | Bankrate, Inc. (a) |
| | 8,780 | INVESTools, Inc. (a) |
| | 5,900 | Interactive Data Corp. |
| | 2,000 | Morningstar, Inc. (a) |
| | 17,500 | Move, Inc. (a) |
| | 9,500 | S1 Corp. (a) |
| | 3,400 | TheStreet.com, Inc. |
| Financial Miscellaneous - 0.6% | 5,700 | Advanta Corp. Class B |
| | 2,800 | Asset Acceptance Capital Corp. |
| | 4,800 | Cash America International, Inc. |
| | 1,900 | Federal Agricultural Mortgage Corp. Class B |
| | 4,700 | Financial Federal Corp. |
| | 4,600 | First Cash Financial Services, Inc. (a) |
| | 6,000 | Global Cash Access, Inc. (a) |
| | 2,700 | LandAmerica Financial Group, Inc. |
| | 2,700 | Portfolio Recovery Associates, Inc. |
| | 1,500 | RAM Holdings Ltd. (a) |
| | 3,000 | Sanders Morris Harris Group, Inc. |
| | 10,600 | Sotheby's Holdings, Inc. Class A |
| | 3,260 | Sterling Bancorp |
| | 2,500 | Stewart Information Services Corp. |
| | 2,200 | Stifel Financial Corp. (a) |
| | 1,700 | Triad Guaranty, Inc. (a) |
| | 1,000 | WSFS Financial Corp. |
| | 800 | Wauwatosa Holdings, Inc. (a) |
| Foods - 1.0% | 600 | American Dairy, Inc. (a) |
| | 2,300 | Cal-Maine Foods, Inc. |
| | 6,300 | Chiquita Brands International, Inc. (a) |

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| | |
|--------|-------------------------------------|
| 12,600 | Flowers Foods, Inc. |
| 4,600 | Fresh Del Monte Produce, Inc. (a) |
| 6,000 | Hain Celestial Group, Inc. (a) |
| 2,300 | J&J Snack Foods Corp. |
| 5,100 | Lance, Inc. |
| 2,000 | M&F Worldwide Corp. (a) |
| 700 | Maui Land & Pineapple Co., Inc. (a) |
| 5,700 | Performance Food Group Co. (a) |
| 6,100 | Pilgrim's Pride Corp. |
| 4,300 | Ralcorp Holdings, Inc. (a) |
| 3,000 | Sanderson Farms, Inc. |
| 60 | Seaboard Corp. |
| 7,900 | Sensient Technologies Corp. |
| 500 | Synutra International, Inc. (a) |
| 5,843 | Tootsie Roll Industries, Inc. |
| 5,100 | TreeHouse Foods, Inc. (a) |

| | | |
|------------------------|-------|---------------------------------|
| Forest Products - 0.1% | 1,800 | Deltic Timber Corp. |
| | 2,700 | Universal Forest Products, Inc. |

| | | |
|-----------------------|-------|-------------------------|
| Forms & Bulk Printing | 4,200 | Ennis, Inc. |
| Services - 0.1% | 3,300 | Innerworkings, Inc. (a) |

Small Cap Premium & Dividend Income Fund Inc.
Schedule of Investments as of December 31, 2007 (in U.S. dollars)

| Industry | Shares Held | Common Stocks |
|--|----------------|------------------------------------|
| | 2,900 | The Standard Register Co. |
| Funeral Parlors & Cemeteries - 0.1% | 16,400 | Stewart Enterprises, Inc. Class A |
| Glass - 0.0% | 4,900 | Apogee Enterprises, Inc. |
| Gold - 0.2% | 75,700 | Coeur d'Alene Mines Corp. (a) |
| | 3,900 | Royal Gold, Inc. |
| | 10,400 | US Gold Corp. (a) |
| Health Care Facilities - 0.5% | 8,600 | Assisted Living Concepts, Inc. (a) |
| | 4,300 | Capital Senior Living Corp. (a) |
| | 1,600 | Emeritus Corp. (a) |
| | 100 | The Ensign Group, Inc. |
| | 4,280 | Kindred Healthcare, Inc. (a) |
| | 3,400 | LCA-Vision, Inc. |
| | 1,400 | MedCath Corp. (a) |
| | 1,100 | National Healthcare Corp. |

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| | |
|-------|--|
| 8,800 | Psychiatric Solutions, Inc. (a) |
| 2,100 | Radiation Therapy Services, Inc. (a) |
| 4,000 | Res-Care, Inc. (a) |
| 4,200 | Skilled Healthcare Group, Inc. Class A (a) |
| 7,300 | Sun Healthcare Group, Inc. (a) |
| 7,200 | Sunrise Senior Living, Inc. (a) |

| | | |
|--|-------|---|
| Health Care Management Services - 0.8% | 8,200 | AMERIGROUP Corp. (a) |
| | 8,500 | Allscripts Healthcare Solutions, Inc. (a) |
| | 1,300 | American Dental Partners, Inc. (a) |
| | 5,200 | Amsurg Corp. (a) |
| | 900 | athenahealth, Inc. (a) |
| | 7,000 | Centene Corp. (a) |
| | 1,600 | Computer Programs & Systems, Inc. |
| | 1,550 | Corvel Corp. (a) |
| | 7,400 | Eclipsys Corp. (a) |
| | 3,100 | HMS Holdings Corp. (a) |
| | 4,800 | HealthExtras, Inc. (a) |
| | 7,200 | HealthSpring, Inc. (a) |
| | 2,100 | Molina Healthcare, Inc. (a) |
| | 5,100 | Omnicell, Inc. (a) |
| | 6,200 | Phase Forward, Inc. (a) |
| | 2,500 | Vital Images, Inc. (a) |

| | | |
|-----------------------------|--------|--|
| Health Care Services - 0.7% | 5,100 | Alliance Imaging, Inc. (a) |
| | 4,033 | Amedisys, Inc. (a) |
| | 7,000 | Apria Healthcare Group, Inc. (a) |
| | 1,800 | Bio-Reference Labs, Inc. (a) |
| | 1,200 | Emergency Medical Services Corp. (a) |
| | 4,700 | Gentiva Health Services, Inc. (a) |
| | 13,000 | HealthSouth Corp. (a) |
| | 7,200 | Healthcare Services Group, Inc. |
| | 5,700 | Healthways, Inc. (a) |
| | 6,800 | Hythiam, Inc. (a) |
| | 2,200 | LHC Group, Inc. (a) |
| | 3,700 | Matria Healthcare, Inc. (a) |
| | 3,000 | Nighthawk Radiology Holdings, Inc. (a) |
| | 6,100 | Odyssey HealthCare, Inc. (a) |
| | 3,686 | PharMerica Corp. (a) |
| | 300 | Virtual Radiologic Corp. (a) |

Small Cap Premium & Dividend Income Fund Inc.
 Schedule of Investments as of December 31, 2007 (in U.S. dollars)

| Industry | Shares Held | Common Stocks |
|---------------------|-------------|---|
| Homebuilding - 0.1% | 5,800 | Beazer Homes USA, Inc. |
| | 5,000 | Hovnanian Enterprises, Inc. Class A (a) |

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| | | |
|---|--------|---|
| | 1,900 | M/I Homes, Inc. |
| | 4,000 | Meritage Homes Corp. (a) |
| | 9,400 | Standard-Pacific Corp. |
| | 4,900 | WCI Communities, Inc. (a) |
| ----- | | |
| Hotel/Motel - 0.1% | 3,100 | Lodgian, Inc. (a) |
| | 3,400 | Marcus Corp. |
| | 3,200 | Morgans Hotel Group Co. (a) |
| ----- | | |
| Household Furnishings - 0.4% | 2,100 | American Woodmark Corp. |
| | 4,200 | Ethan Allen Interiors, Inc. |
| | 7,000 | Furniture Brands International, Inc. |
| | 3,100 | Haverty Furniture Cos., Inc. |
| | 1,000 | hhgregg, Inc. (a) |
| | 1,700 | Hooker Furniture Corp. |
| | 8,400 | La-Z-Boy, Inc. |
| | 1,800 | Libbey, Inc. |
| | 2,000 | Lifetime Brands, Inc. |
| | 6,200 | Sealy Corp. |
| | 8,600 | Select Comfort Corp. (a) |
| | 11,714 | Tempur-Pedic International, Inc. |
| ----- | | |
| Identification Control & Filter Devices - 0.6% | 5,800 | Advanced Energy Industries, Inc. (a) |
| | 8,400 | Asyst Technologies, Inc. (a) |
| | 2,300 | Badger Meter, Inc. |
| | 4,200 | ESCO Technologies, Inc. (a) |
| | 2,019 | The Gorman-Rupp Co. |
| | 9,998 | L-1 Identity Solutions, Inc. (a) |
| | 4,500 | Mine Safety Appliances Co. |
| | 2,300 | Robbins & Myers, Inc. |
| | 2,100 | Sun Hydraulics, Inc. |
| | 5,300 | Veeco Instruments, Inc. (a) |
| | 3,200 | Vicor Corp. |
| | 4,900 | Watts Water Technologies, Inc. Class A |
| | 4,500 | X-Rite, Inc. (a) |
| ----- | | |
| Industrial Products - 0.0% | 2,700 | TAL International Group, Inc. |
| ----- | | |
| Insurance: Life - 0.4% | 9,800 | American Equity Investment Life Holding Co. |
| | 4,700 | Citizens, Inc. (a) |
| | 7,250 | Delphi Financial Group, Inc. Class A |
| | 500 | Kansas City Life Insurance Co. |
| | 400 | National Western Life Insurance Co. Class A |
| | 17,300 | The Phoenix Cos., Inc. |
| | 3,500 | Presidential Life Corp. |
| | 7,800 | Scottish Re Group Ltd. (a) |
| | 7,400 | Universal American Financial Corp. (a) |
| ----- | | |
| Insurance: Multi-Line - 1.1% | 5,300 | Alfa Corp. |
| | 12,400 | Assured Guaranty Ltd. |
| | 2,100 | CNA Surety Corp. (a) |
| | 300 | CastlePoint Holdings, Ltd. |

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| | |
|-------|-------------------------------------|
| 5,200 | Crawford & Co. Class B |
| 1,000 | EMC Insurance Group, Inc. |
| 2,000 | eHealth, Inc. (a) |
| 2,300 | FBL Financial Group, Inc. Class A |
| 1,400 | Flagstone Reinsurance Holdings Ltd. |

Small Cap Premium & Dividend Income Fund Inc.

Schedule of Investments as of December 31, 2007

(in U.S. dollars)

| Industry | Shares Held | Common Stocks |
|---|----------------|--|
| <hr style="border-top: 1px dashed black;"/> | | |
| | 200 | Hallmark Financial Services, Inc. (a) |
| | 5,900 | Hilb Rogal & Hobbs Co. |
| | 7,500 | Horace Mann Educators Corp. |
| | 300 | Independence Holding Co. |
| | 9,900 | Max Capital Group Ltd. |
| | 4,300 | Meadowbrook Insurance Group, Inc. (a) |
| | 16,900 | Montpelier Re Holdings Ltd. |
| | 2,100 | Pico Holdings, Inc. (a) |
| | 9,300 | Platinum Underwriters Holdings Ltd. |
| | 6,200 | Primus Guaranty Ltd. (a) |
| | 3,700 | Security Capital Assurance Ltd. |
| | 2,100 | Validus Holdings Ltd. (a) |
| | 6,050 | Zenith National Insurance Corp. |
| <hr style="border-top: 1px dashed black;"/> | | |
| Insurance: Property-Casualty - 1.6% | 3,500 | AmTrust Financial Services, Inc. |
| | 1,700 | American Physicians Capital, Inc. |
| | 3,700 | Amerisafe, Inc. (a) (c) |
| | 4,466 | Argo Group International Holdings Ltd. (a) |
| | 14,200 | Aspen Insurance Holdings Ltd. |
| | 1,700 | Baldwin & Lyons, Inc. Class B |
| | 8,100 | Commerce Group, Inc. |
| | 1,200 | Darwin Professional Underwriters, Inc. (a) |
| | 1,600 | Donegal Group, Inc. Class A |
| | 7,910 | Employers Holdings, Inc. |
| | 1,000 | Enstar Group Ltd. (a) |
| | 1,700 | FPIC Insurance Group, Inc. (a) |
| | 2,800 | First Acceptance Corp. (a) |
| | 2,400 | First Mercury Financial Corp. (a) |
| | 11,000 | Fremont General Corp. |
| | 1,200 | Greenlight Capital Re Ltd. (a) |
| | 2,400 | Harleysville Group, Inc. |
| | 9,600 | IPC Holdings, Ltd. |
| | 2,300 | Infinity Property & Casualty Corp. |
| | 1,600 | The Midland Co. |
| | 900 | NYMAGIC, Inc. |
| | 1,200 | National Interstate Corp. |
| | 2,100 | Navigators Group, Inc. (a) |
| | 4,200 | Odyssey Re Holdings Corp. |
| | 6,200 | PMA Capital Corp. Class A (a) |
| | 5,500 | ProAssurance Corp. (a) |
| | 3,400 | RLI Corp. |
| | 2,500 | Safety Insurance Group, Inc. |

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| | | |
|-------|--|--|
| 4,100 | | SeaBright Insurance Holdings, Inc. (a) |
| 9,300 | | Selective Insurance Group, Inc. |
| 2,300 | | State Auto Financial Corp. |
| 3,500 | | Tower Group, Inc. |
| 3,400 | | United America Indemnity, Ltd. (a) |
| 3,600 | | United Fire & Casualty Co. |

| | | | |
|--|--------|--|--|
| Investment Management Companies - 0.9% | 7,800 | | Alternative Asset Management Acquisition Corp. (a) |
| | 2,100 | | Ampal-American Israel Corp. Class A (a) |
| | 19,776 | | Apollo Investment Corp. |
| | 10,432 | | Ares Capital Corp. |
| | 3,700 | | Calamos Asset Management, Inc. Class A |
| | 400 | | Capital Southwest Corp. |
| | 2,500 | | Cohen & Steers, Inc. |
| | 3,300 | | Cowen Group, Inc. (a) |

Small Cap Premium & Dividend Income Fund Inc.
 Schedule of Investments as of December 31, 2007

(in U.S. dollars)

| | Shares | | |
|-------------------------------------|--------|--------|--|
| Industry | Held | Common | Stocks |
| | 2,000 | | Epoch Holding Corp. |
| | 4,100 | | FBR Capital Markets Corp. (a) |
| | 1,000 | | GAMCO Investors, Inc. Class A |
| | 2,200 | | Kohlberg Capital Corp. |
| | 10,000 | | MCG Capital Corp. |
| | 3,100 | | NGP Capital Resources Co. |
| | 6,100 | | National Financial Partners Corp. |
| | 5,900 | | NexCen Brands, Inc. (a) |
| | 300 | | Pzena Investment Management, Inc. Class A |
| | 3,400 | | TICC Capital Corp. |
| | 2,300 | | U.S. Global Investors, Inc. |
| | 2,100 | | W.P. Stewart & Co. Ltd. |
| | 13,700 | | Waddell & Reed Financial, Inc. Class A |
| <hr/> | | | |
| Jewelry, Watches & Gemstones - 0.2% | 1,200 | | FGX International Holdings Ltd. (a) |
| | 7,000 | | Fossil, Inc. (a) |
| | 2,800 | | Movado Group, Inc. |
| <hr/> | | | |
| Leisure Time - 0.4% | 10,500 | | Callaway Golf Co. |
| | 4,700 | | Great Wolf Resorts, Inc. (a) |
| | 5,100 | | Life Time Fitness, Inc. (a) |
| | 5,400 | | Premier Exhibitions, Inc. (a) |
| | 11,500 | | Six Flags, Inc. (a) |
| | 1,300 | | Steinway Musical Instruments, Inc. |
| | 2,800 | | Sturm Ruger & Co., Inc. (a) |
| | 1,800 | | Town Sports International Holdings, Inc. (a) |
| | 5,100 | | Vail Resorts, Inc. (a) |
| | 2,500 | | West Marine, Inc. (a) |

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| | | |
|---|-------|---------------------------------------|
| Machine Tools - 0.0% | 1,100 | Hurco Companies, Inc. (a) |
| Machinery & Engineering - 0.1% | 7,250 | Applied Industrial Technologies, Inc. |
| Machinery: Agricultural - 0.1% | 1,650 | Gehl Co. (a) |
| | 1,700 | Lindsay Manufacturing Co. |
| Machinery: Construction & Handling - 0.1% | 3,700 | ASV, Inc. (a) |
| | 3,000 | Astec Industries, Inc. (a) |
| | 900 | NACCO Industries, Inc. Class A |
| Machinery: Engines - 0.1% | 8,000 | Briggs & Stratton Corp. |
| | 4,900 | Raser Technologies, Inc. (a) |
| Machinery: Industrial/Specialty - 0.7% | 8,800 | Actuant Corp. Class A |
| | 1,200 | Altra Holdings, Inc. (a) |
| | 1,900 | Chart Industries, Inc. (a) |
| | 3,100 | Columbus McKinnon Corp. (a) |
| | 3,500 | EnPro Industries, Inc. (a) |
| | 2,200 | Hardinge, Inc. |
| | 2,400 | Kadant, Inc. (a) |
| | 2,200 | Middleby Corp. (a) |
| | 5,200 | Nordson Corp. |
| | 2,800 | Tecumseh Products Co. Class A (a) |
| | 2,700 | Tennant Co. |
| | 900 | Twin Disc, Inc. |
| | 4,900 | Woodward Governor Co. |
| Machinery: Oil Well Equipment & Services - 1.5% | 4,500 | Allis-Chalmers Energy, Inc. (a) |
| | 6,000 | Basic Energy Services, Inc. (a)(c) |

Small Cap Premium & Dividend Income Fund Inc.
 Schedule of Investments as of December 31, 2007

(in U.S. dollars)

| Industry | Shares Held | Common Stocks |
|----------|-------------|--|
| | 3,250 | CARBO Ceramics, Inc. |
| | 6,013 | Cal Dive International, Inc. (a) |
| | 6,300 | Complete Production Services, Inc. (a) |
| | 4,100 | Dril-Quip, Inc. (a) |
| | 9,707 | Exterran Holdings, Inc. (a) |
| | 3,100 | Flotek Industries, Inc. (a) |
| | 2,100 | Gulf Island Fabrication, Inc. |
| | 3,700 | Hornbeck Offshore Services, Inc. (a) |

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| | | |
|---|--------|--|
| | 2,400 | Lufkin Industries, Inc. |
| | 2,800 | NATCO Group, Inc. Class A (a) |
| | 15,600 | Newpark Resources, Inc. (a) |
| | 7,900 | Oil States International, Inc. (a) |
| | 18,900 | Parker Drilling Co. (a) |
| | 5,625 | RPC, Inc. |
| | 7,600 | Sulphco, Inc. |
| | 800 | Superior Offshore International, Inc. (a) |
| | 2,200 | Superior Well Services, Inc. (a) |
| | 800 | T-3 Energy Services, Inc. (a) |
| | 1,900 | Trico Marine Services, Inc. (a) |
| | 1,900 | Union Drilling, Inc. (a) |
| | 4,900 | W-H Energy Services, Inc. (a) |
| | 5,700 | Willbros Group, Inc. (a) |
| ----- | | |
| Machinery: Specialty - 0.3% | 5,850 | Bucyrus International, Inc. |
| | 1,900 | Cascade Corp. |
| | 5,100 | Flow International Corp. (a) |
| | 3,600 | Semitool, Inc. (a) |
| | 3,600 | TurboChef Technologies, Inc. (a) |
| ----- | | |
| Manufactured Housing - 0.1% | 12,500 | Champion Enterprises, Inc. (a) |
| | 1,600 | Palm Harbor Homes, Inc. (a) |
| | 1,200 | Skyline Corp. |
| ----- | | |
| Manufacturing - 0.1% | 7,900 | Federal Signal Corp. |
| | 2,200 | Standex International Corp. |
| ----- | | |
| Medical & Dental Instruments & Supplies - 2.8% | 3,500 | Abaxis, Inc. (a) |
| | 4,700 | Abiomed, Inc. (a) |
| | 9,700 | Align Technology, Inc. (a) |
| | 12,100 | American Medical Systems Holdings, Inc. (a)(c) |
| | 3,800 | AngioDynamics, Inc. (a) |
| | 3,000 | Bio-Rad Laboratories, Inc. Class A (a) |
| | 2,200 | BioMimetic Therapeutics, Inc. (a) |
| | 4,600 | CONMED Corp. (a) |
| | 1,300 | Cantel Medical Corp. (a) |
| | 9,100 | Cepheid, Inc. (a) |
| | 4,300 | Conceptus, Inc. (a) |
| | 3,100 | CryoLife, Inc. (a) |
| | 2,500 | Cutera, Inc. (a) |
| | 3,800 | Cyberonics, Inc. (a) |
| | 7,746 | ev3, Inc. (a) |
| | 1,400 | Hansen Medical, Inc. (a) |
| | 3,300 | I-Flow Corp. (a) |
| | 2,400 | ICU Medical, Inc. (a) |
| | 11,150 | Immucor, Inc. (a) |
| | 900 | Insulet Corp. (a) |
| | 4,200 | Invacare Corp. |
| | 10,620 | Inverness Medical Innovations, Inc. (a) |

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Small Cap Premium & Dividend Income Fund Inc.
 Schedule of Investments as of December 31, 2007

(in U.S. dollars)

| Industry | Shares Held | Common Stocks |
|--------------------------|----------------|--|
| <hr/> | | |
| | 1,500 | Landauer, Inc. |
| | 5,200 | LifeCell Corp. (a) |
| | 1,900 | Medical Action Industries, Inc. (a) |
| | 5,100 | Mentor Corp. |
| | 5,975 | Meridian Bioscience, Inc. |
| | 4,500 | Merit Medical Systems, Inc. (a) |
| | 2,800 | Micrus Endovascular Corp. (a) |
| | 2,300 | Northstar Neuroscience, Inc. (a) |
| | 5,800 | NuVasive, Inc. (a) |
| | 8,100 | OraSure Technologies, Inc. (a) |
| | 2,500 | Orthofix International NV (a) |
| | 6,500 | Owens & Minor, Inc. |
| | 10,800 | PSS World Medical, Inc. (a) |
| | 3,100 | Palomar Medical Technologies, Inc. (a) |
| | 5,300 | Sonic Innovations, Inc. (a) |
| | 2,900 | SonoSite, Inc. (a) |
| | 5,600 | Spectranetic Corp. (a) |
| | 4,100 | Stereotaxis, Inc. (a) |
| | 10,500 | Steris Corp. |
| | 2,600 | SurModics, Inc. (a) |
| | 5,700 | Symmetry Medical, Inc. (a) |
| | 8,700 | Thoratec Corp. (a) |
| | 600 | Transl, Inc (a) |
| | 4,400 | Ventana Medical Systems, Inc. (a) |
| | 1,500 | Vital Signs, Inc. |
| | 4,000 | Volcano Corp. (a) |
| | 5,300 | West Pharmaceutical Services, Inc. |
| | 5,300 | Wright Medical Group, Inc. (a) |
| <hr/> | | |
| Medical Services - 0.3% | 1,900 | Air Methods Corp. (a) |
| | 700 | Genoptix, Inc. (a) |
| | 6,300 | Magellan Health Services, Inc. (a) |
| | 4,600 | Parexel International Corp. (a) |
| | 3,000 | RehabCare Group, Inc. (a) |
| <hr/> | | |
| Metal Fabricating - 0.9% | 1,100 | Ampco-Pittsburgh Corp. |
| | 2,700 | CIRCOR International, Inc. |
| | 2,000 | Dynamic Materials Corp. |
| | 4,100 | Encore Wire Corp. |
| | 1,700 | Haynes International, Inc. (a) |
| | 2,800 | Insteel Industries, Inc. |
| | 4,600 | Kaydon Corp. |
| | 1,800 | L.B. Foster Co. Class A (a) |
| | 18,480 | Mueller Water Products, Inc. Series A |
| | 1,100 | Northwest Pipe Co. (a) |
| | 5,900 | Quanex Corp. |
| | 3,600 | RBC Bearings, Inc. (a) |
| | 3,800 | RTI International Metals, Inc. (a) |
| | 3,300 | Superior Essex, Inc. (a) |

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1,500 Trimas Corp. (a)
3,000 Valmont Industries, Inc.

| | | |
|----------------------|-------|--------------------------------------|
| Metals & Minerals | 1,900 | A.M. Castle & Co. |
| Miscellaneous - 0.7% | 3,900 | AMCOL International Corp. |
| | 9,400 | Apex Silver Mines Ltd. (a) |
| | 3,300 | Brush Engineered Materials, Inc. (a) |
| | 5,200 | Compass Minerals International, Inc. |

Small Cap Premium & Dividend Income Fund Inc.
Schedule of Investments as of December 31, 2007 (in U.S. dollars)

| Industry | Shares Held | Common Stocks |
|--|----------------|---|
| | 8,400 | General Moly, Inc. (a) |
| | 17,100 | GrafTech International Ltd. (a) |
| | 19,200 | Hecla Mining Co. (a) |
| | 1,300 | Horsehead Holding Corp. (a) |
| | 2,900 | Minerals Technologies, Inc. |
| | 6,800 | Stillwater Mining Co. (a) |
| | 8,900 | Uranium Resources, Inc. (a) |
| <hr/> | | |
| Milling: Fruit & Grain Processing - 0.0% | 1,700 | MGP Ingredients, Inc. |
| <hr/> | | |
| Miscellaneous Business & Consumer Discretionary - 0.0% | 1,600 | Core-Mark Holdings Co., Inc. (a) |
| <hr/> | | |
| Miscellaneous Consumer Staples - 0.0% | 3,200 | Reddy Ice Holdings, Inc. |
| <hr/> | | |
| Miscellaneous Health Care - 0.0% | 1,300 | Animal Health International, Inc. (a) |
| <hr/> | | |
| Miscellaneous Materials & Commodities - 0.2% | 4,400 | Ceradyne, Inc. (a) |
| | 5,900 | Symyx Technologies Inc. (a) |
| | 2,900 | WD-40 Co. |
| <hr/> | | |
| Miscellaneous Materials & Processing - 0.2% | 4,800 | Insituform Technologies, Inc. Class A (a) |
| | 4,100 | Metal Management, Inc. |
| | 2,900 | Rogers Corp. (a) |
| | 16,400 | USEC, Inc. (a) |
| | 1,800 | Xerium Technologies, Inc. |
| <hr/> | | |
| Miscellaneous Producer Durables - 0.1% | 6,700 | Blount International, Inc. (a) |
| | 1,200 | Park-Ohio Holdings Corp. (a) |

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| | | |
|--|--------|-------------------------------------|
| Miscellaneous Technology - 0.2% | 1,800 | Dice Holdings, Inc. (a) |
| | 4,900 | IHS, Inc. Class A (a) |
| | 2,000 | iRobot Corp. (a) |
| | 2,300 | Vocus, Inc. (a) |
| Multi-Sector Companies - 0.4% | 4,100 | Compass Diversified Holdings |
| | 9,100 | GenCorp, Inc. (a) |
| | 1,400 | GenTek Inc. (a) |
| | 4,200 | Kaman Corp. Class A |
| | 3,900 | Lancaster Colony Corp. |
| | 2,600 | Raven Industries, Inc. |
| Office Furniture & Business Equipment - 0.3% | 8,064 | ACCO Brands Corp. (a) |
| | 10,500 | Herman Miller, Inc. |
| | 4,300 | Kimball International, Inc. Class B |
| | 7,300 | Knoll, Inc. |
| Offshore Drilling - 0.3% | 4,400 | Atwood Oceanics, Inc. (a) |
| | 2,300 | Bois d'Arc Energy, Inc. (a) |
| | 13,300 | Hercules Offshore, Inc. (a) |
| Oil: Crude Producers - 2.5% | 554 | APCO Argentina, Inc. |
| | 4,100 | ATP Oil & Gas Corp. (a) |
| | 5,100 | Arena Resources, Inc. (a) |
| | 3,800 | Atlas America, Inc. |
| | 8,900 | BPZ Resources, Inc. (a) |
| | 6,200 | Berry Petroleum Co. Class A |
| | 5,000 | Bill Barrett Corp. (a) |

Small Cap Premium & Dividend Income Fund Inc.
 Schedule of Investments as of December 31, 2007

(in U.S. dollars)

| Industry | Shares Held | Common Stocks |
|----------|----------------|-----------------------------------|
| | 7,400 | Brigham Exploration Co. (a) |
| | 4,900 | Bronco Drilling Co., Inc. (a) |
| | 3,600 | Callon Petroleum Co. (a) |
| | 4,100 | Carrizo Oil & Gas, Inc. (a) |
| | 900 | Clayton Williams Energy, Inc. (a) |
| | 7,200 | Comstock Resources, Inc. (a) |
| | 2,300 | Contango Oil & Gas Co. (a) |
| | 1,400 | Delek US Holdings, Inc. |
| | 9,200 | EXCO Resources, Inc. (a) |
| | 5,800 | Edge Petroleum Corp. (a) |

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| | | |
|--------------------------------------|--------|---|
| | 8,600 | Encore Acquisition Co. (a) |
| | 2,600 | Energy Infrastructure Acquisition Corp. (a) |
| | 5,285 | Energy Partners Ltd. (a) |
| | 7,200 | FX Energy, Inc. (a) |
| | 6,900 | GeoGlobal Resources, Inc. (a) |
| | 1,500 | Geokinetics, Inc. (a) |
| | 2,700 | Goodrich Petroleum Corp. (a) |
| | 29,700 | Grey Wolf, Inc. (a) |
| | 3,100 | Gulfport Energy Corp. (a) |
| | 6,400 | Harvest Natural Resources, Inc. (a) |
| | 13,500 | Mariner Energy, Inc. (a) |
| | 7,600 | McMoRan Exploration Co. (a) |
| | 15,200 | Meridian Resource Corp. (a) |
| | 2,939 | NTR Acquisition Co. (a) |
| | 20,700 | Oilsands Quest, Inc. (a) |
| | 6,100 | Parallel Petroleum Corp. (a) |
| | 26,550 | PetroHawk Energy Corp. (a) |
| | 2,600 | Petroleum Development Corp. (a) |
| | 7,200 | Petroquest Energy, Inc. (a) |
| | 8,100 | Pioneer Drilling Co. (a) |
| | 2,100 | Resource America, Inc. Class A |
| | 1,500 | Rex Energy Corp. (a) |
| | 8,300 | Rosetta Resources, Inc. (a) |
| | 4,300 | Stone Energy Corp. (a) |
| | 4,900 | Swift Energy Co. (a) |
| | 5,200 | TXCO Resources, Inc. (a) |
| | 3,400 | Toreador Resources Corp. (a) |
| | 1,800 | Venoco, Inc. (a) |
| | 6,190 | VeraSun Energy Corp. (a) |
| | 9,400 | Warren Resources, Inc. (a) |
| | 6,500 | Whiting Petroleum Corp. (a) |
| <hr/> | | |
| Oil: Integrated Domestic - 0.1% | 11,100 | Delta Petroleum Corp. (a) |
| | 1,800 | GMX Resources Inc. (a) |
| <hr/> | | |
| Oil: Integrated International - 0.0% | 10,100 | Vaalco Energy, Inc. (a) |
| <hr/> | | |
| Paints & Coatings - 0.2% | 7,500 | Ferro Corp. |
| | 9,500 | H.B. Fuller Co. |
| | 400 | Kronos Worldwide, Inc. |
| <hr/> | | |
| Paper - 0.4% | 8,752 | AbitibiBowater, Inc. |
| | 4,700 | Albany International Corp. Class A |
| | 5,900 | Buckeye Technologies, Inc. (a) |
| | 3,100 | Chesapeake Corp. |
| | 4,800 | Mercer International, Inc.-Sbi (a) |
| | 850 | Multi-Color Corp. |
| | 2,400 | Neenah Paper, Inc. |

Small Cap Premium & Dividend Income Fund Inc.
 Schedule of Investments as of December 31, 2007

(in U.S. dollars)

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| Industry | Shares Held | Common Stocks |
|--|----------------|---|
| | 7,300 | P.H. Glatfelter Co. |
| | 5,600 | Rock-Tenn Co. Class A |
| | 7,200 | Wausau Paper Corp. |
| Photography - 0.0% | 600 | CPI Corp. |
| Plastics - 0.0% | 5,200 | Spartech Corp. |
| Pollution Control & Environmental Services - 0.2% | 2,600 | American Ecology Corp. |
| | 12,000 | Darling International, Inc. (a) |
| | 4,400 | EnergySolutions, Inc. (a) |
| | 2,400 | Fuel Tech, Inc. (a) |
| | 6,400 | Headwaters, Inc. (a) |
| | 2,600 | Team, Inc. (a) |
| Power Transmission Equipment - 0.1% | 5,200 | Regal-Beloit Corp. |
| Printing & Copying Services - 0.2% | 5,100 | Bowne & Co., Inc. |
| | 9,200 | Cenveo, Inc. (a) |
| | 2,400 | Schawk, Inc. |
| | 7,100 | VistaPrint Ltd. (a) |
| Production Technology Equipment - 1.1% | 5,600 | ATMI, Inc. (a) |
| | 16,500 | Axcelis Technologies, Inc. (a) |
| | 11,983 | Brooks Automation, Inc. (a) |
| | 7,600 | Cognex Corp. |
| | 16,500 | Credence Systems Corp. (a) |
| | 5,200 | Cymer, Inc. (a) |
| | 3,200 | Dionex Corp. (a) |
| | 5,100 | Electro Scientific Industries, Inc. (a) |
| | 19,795 | Entegris, Inc. (a) |
| | 4,500 | Esterline Technologies Corp. (a) |
| | 5,900 | FEI Co. (a) |
| | 3,700 | Intevac, Inc. (a) |
| | 9,900 | Kulicke & Soffa Industries, Inc. (a) |
| | 10,700 | LTX Corp. (a) |
| | 3,100 | MTS Systems Corp. |
| | 9,200 | Mattson Technology, Inc. (a) |
| | 6,800 | Photronics, Inc. (a) |
| | 5,200 | Rofin-Sinar Technologies, Inc. (a) |
| | 4,313 | Rudolph Technologies, Inc. (a) |
| | 3,900 | Ultra Clean Holdings, Inc. (a) |
| | 4,200 | Ultratech, Inc. (a) |
| Publishing: Miscellaneous - 0.2% | 1,500 | Consolidated Graphics, Inc. (a) |
| | 1,700 | Courier Corp. |
| | 2,780 | GateHouse Media, Inc. |

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| | | |
|-------|--|---|
| 4,400 | | Martha Stewart Living Omnimedia, Inc. Class A (a) |
| 3,700 | | Playboy Enterprises, Inc. Class B (a) |
| 7,150 | | Primedia, Inc. |
| 4,600 | | Scholastic Corp. (a) |

| | | |
|-------------------------------|--------|--------------------------------------|
| Publishing: Newspapers - 0.2% | 13,700 | Belo Corp. Class A |
| | 1,500 | Dolan Media Co. (a) |
| | 7,500 | Journal Communications, Inc. Class A |
| | 7,400 | Lee Enterprises, Inc. |
| | 3,000 | Media General, Inc. Class A |
| | 13,000 | Sun-Times Media Group, Inc. (a) |

Small Cap Premium & Dividend Income Fund Inc.
 Schedule of Investments as of December 31, 2007 (in U.S. dollars)

| Industry | Shares Held | Common Stocks |
|--------------------------------|----------------|---|
| <hr/> | | |
| Radio & TV Broadcasters - 0.3% | 6,800 | CKX, Inc. (a) |
| | 32,850 | Citadel Broadcasting Corp. |
| | 4,900 | Cox Radio, Inc. Class A (a) |
| | 5,200 | Cumulus Media, Inc. Class A (a) |
| | 6,700 | Emmis Communications Corp. Class A (a) |
| | 5,300 | Entercom Communications Corp. |
| | 1,000 | Fisher Communications, Inc. (a) |
| | 6,800 | Gray Television, Inc. |
| | 4,400 | Lin TV Corp. Class A (a) |
| | 1,600 | Nexstar Broadcasting Group, Inc. Class A (a) |
| | 12,500 | Radio One, Inc. Class D (a) |
| | 1,500 | Salem Communications Corp. Class A |
| | 8,000 | Sinclair Broadcast Group, Inc. Class A |
| | 7,400 | Spanish Broadcasting System, Inc. Class A (a) |
| | 11,600 | Westwood One, Inc. |
| | 3,600 | World Wrestling Entertainment, Inc. |
| <hr/> | | |
| Railroad Equipment - 0.2% | 1,300 | American Railcar Industries, Inc. |
| | 2,000 | Freightcar America, Inc. |
| | 2,600 | Greenbrier Cos., Inc. |
| | 7,900 | Westinghouse Air Brake Technologies Corp. |
| <hr/> | | |
| Railroads - 0.0% | 4,550 | Genesee & Wyoming, Inc. Class A (a) |
| <hr/> | | |
| Real Estate - 0.3% | 300 | AMREP Corp. |
| | 1,000 | Avatar Holdings, Inc. (a) |
| | 3,500 | Bluegreen Corp. (a) |
| | 4,700 | Chimera Investment Corp. |
| | 1,000 | Consolidated-Tomoka Land Co. |

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| | |
|-------|--------------------------------|
| 5,100 | Dupont Fabros Technology, Inc. |
| 3,700 | Grubb & Ellis Co. |
| 3,607 | HFF, Inc. Class A (a) |
| 7,452 | Hilltop Holdings, Inc. (a) |
| 1,600 | Quadra Realty Trust, Inc. |
| 2,800 | Resource Capital Corp. |
| 500 | Stratus Properties, Inc. (a) |
| 1,800 | Tejon Ranch Co. (a) |
| 2,900 | Thomas Properties Group, Inc. |

| | | |
|-------------------------------|--------|---------------------------------------|
| Real Estate Investment Trusts | 5,600 | Acadia Realty Trust |
| (REITs) - 5.0% | 1,600 | Agree Realty Corp. |
| | 11,100 | Alesco Financial, Inc. |
| | 300 | Alexander's, Inc. (a) |
| | 5,200 | Alexandria Real Estate Equities, Inc. |
| | 3,900 | American Campus Communities, Inc. |
| | 22,400 | American Financial Realty Trust (c) |
| | 10,300 | Anthracite Capital, Inc. (e) |
| | 7,900 | Anworth Mortgage Asset Corp. |
| | 2,800 | Arbor Realty Trust, Inc. |
| | 17,250 | Ashford Hospitality Trust, Inc. |
| | 3,500 | Associated Estates Realty Corp. |
| | 500 | BRT Realty Trust |
| | 10,400 | BioMed Realty Trust, Inc. |
| | 3,500 | CBRE Realty Finance, Inc. |
| | 6,200 | CapLease, Inc. |
| | 1,900 | Capital Trust, Inc. |
| | 7,200 | Cedar Shopping Centers, Inc. |
| | 6,200 | Corporate Office Properties Trust |

Small Cap Premium & Dividend Income Fund Inc.
 Schedule of Investments as of December 31, 2007 (in U.S. dollars)

| Industry | Shares Held | Common Stocks |
|----------|----------------|--|
| | 6,600 | Cousins Properties, Inc. |
| | 3,443 | Crystal River Capital, Inc. |
| | 27,450 | DCT Industrial Trust, Inc. |
| | 8,400 | Deerfield Capital Corp. |
| | 14,440 | DiamondRock Hospitality Co. |
| | 8,740 | Digital Realty Trust, Inc. |
| | 3,900 | Eastgroup Properties, Inc. |
| | 4,600 | Education Realty Trust, Inc. |
| | 4,600 | Entertainment Properties Trust |
| | 3,400 | Equity Lifestyle Properties, Inc. |
| | 5,900 | Equity One, Inc. |
| | 10,100 | Extra Space Storage, Inc. |
| | 10,200 | FelCor Lodging Trust, Inc. |
| | 7,600 | First Industrial Realty Trust, Inc. |
| | 3,900 | First Potomac Realty Trust |
| | 8,800 | Franklin Street Properties Corp. |
| | 25,100 | Friedman Billings Ramsey Group, Inc. Class A |
| | 6,600 | GMH Communities Trust |

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| | |
|--------|---|
| 2,800 | Getty Realty Corp. |
| 6,400 | Glimcher Realty Trust |
| 3,600 | Gramercy Capital Corp. |
| 8,400 | Healthcare Realty Trust, Inc. |
| 5,900 | Hersha Hospitality Trust |
| 9,300 | Highwoods Properties, Inc. |
| 5,400 | Home Properties, Inc. |
| 13,400 | IMPAC Mortgage Holdings, Inc. |
| 9,500 | Inland Real Estate Corp. |
| 8,200 | Investors Real Estate Trust |
| 4,200 | JER Investors Trust, Inc. |
| 4,100 | Kite Realty Group Trust |
| 3,900 | LTC Properties, Inc. |
| 6,800 | LaSalle Hotel Properties |
| 9,930 | Lexington Corporate Properties Trust |
| 7,600 | Luminent Mortgage Capital, Inc. |
| 18,300 | MFA Mortgage Investments, Inc. |
| 6,200 | Maguire Properties, Inc. |
| 8,100 | Medical Properties Trust, Inc. |
| 7,420 | Meruelo Maddux Properties, Inc. (a) |
| 4,100 | Mid-America Apartment Communities, Inc. |
| 2,100 | Mission West Properties, Inc. |
| 3,800 | National Health Investors, Inc. |
| 11,000 | National Retail Properties, Inc. |
| 14,000 | Nationwide Health Properties, Inc. |
| 7,300 | Newcastle Investment Corp. |
| 8,900 | NorthStar Realty Finance Corp. |
| 100 | Novastar Financial, Inc. (a) |
| 10,900 | Omega Healthcare Investors, Inc. |
| 2,600 | PS Business Parks, Inc. |
| 2,500 | Parkway Properties, Inc. |
| 5,300 | Pennsylvania Real Estate Investment Trust |
| 6,700 | Post Properties, Inc. |
| 6,339 | Potlatch Corp. |
| 10,840 | RAIT Investment Trust |
| 3,000 | Ramco-Gershenson Properties Trust |
| 16,600 | Realty Income Corp. |
| 3,700 | Redwood Trust, Inc. |
| 1,800 | Saul Centers, Inc. |
| 13,700 | Senior Housing Properties Trust |

Small Cap Premium & Dividend Income Fund Inc.
 Schedule of Investments as of December 31, 2007

(in U.S. dollars)

| Industry | Shares Held | Common Stocks |
|----------|----------------|---|
| ----- | | |
| | 3,200 | Sovran Self Storage, Inc. |
| | 12,100 | Strategic Hotel Capital, Inc. |
| | 3,100 | Sun Communities, Inc. |
| | 10,200 | Sunstone Hotel Investors, Inc. |
| | 5,300 | Tanger Factory Outlet Centers, Inc. |
| | 7,500 | U-Store-It Trust |
| | 1,900 | Universal Health Realty Income Trust |
| | 3,400 | Urstadt Biddle Properties, Inc. Class A |
| | 7,400 | Washington Real Estate Investment Trust |

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6,200 Winthrop Realty Trust, Inc.

| | | |
|-------------------------------|--------|---------------------------------|
| Recreational Vehicles & Boats | 2,300 | Arctic Cat, Inc. |
| - 0.2% | 10,900 | Fleetwood Enterprises, Inc. (a) |
| | 1,600 | Marine Products Corp. |
| | 4,800 | Monaco Coach Corp. |
| | 5,800 | Polaris Industries, Inc. |
| | 4,800 | Winnebago Industries, Inc. |

| | | |
|----------------------------|-------|----------------------------------|
| Rental & Leasing Services: | 2,800 | Electro Rent Corp. |
| Commercial - 0.1% | 2,400 | H&E Equipment Services, Inc. (a) |
| | 3,900 | McGrath RentCorp |

| | | |
|----------------------------|--------|---|
| Rental & Leasing Services: | 7,500 | Aaron Rents, Inc. |
| Consumer - 0.2% | | |
| | 1,700 | Amerco, Inc. (a) |
| | 3,800 | Dollar Thrifty Automotive Group, Inc. (a) |
| | 2,700 | RSC Holdings, Inc. (a) |
| | 11,400 | Rent-A-Center, Inc. (a) |

| | | |
|--------------------|--------|---|
| Restaurants - 1.2% | | |
| | 4,500 | AFC Enterprises, Inc. (a) |
| | 2,400 | BJ's Restaurants, Inc. (a) |
| | 1,200 | Benihana, Inc. Class A (a) |
| | 4,900 | Bob Evans Farms, Inc. |
| | 2,600 | Buffalo Wild Wings, Inc. (a) |
| | 4,058 | CBRL Group, Inc. |
| | 4,100 | CEC Entertainment, Inc. (a) |
| | 10,000 | CKE Restaurants, Inc. |
| | 5,250 | California Pizza Kitchen, Inc. (a) |
| | 2,500 | Carrols Restaurant Group, Inc. (a) |
| | 5,200 | Chipotle Mexican Grill, Inc. Class B (a) |
| | 16,900 | Denny's Corp. (a) |
| | 6,700 | Domino's Pizza, Inc. |
| | 2,500 | IHOP Corp. |
| | 10,100 | Jack in the Box, Inc. (a) |
| | 6,400 | Jamba, Inc. (a) |
| | 10,500 | Krispy Kreme Doughnuts, Inc. (a) |
| | 2,500 | Landry's Restaurants, Inc. |
| | 1,800 | McCormick & Schmick's Seafood Restaurants, Inc. (a) |
| | 700 | Morton's Restaurant Group, Inc. (a) |
| | 4,100 | O'Charleys, Inc. |
| | 4,200 | P.F. Chang's China Bistro, Inc. (a) |
| | 3,900 | Papa John's International, Inc. (a) |
| | 2,300 | Red Robin Gourmet Burgers, Inc. (a) |
| | 8,800 | Ruby Tuesday, Inc. |
| | 3,000 | Ruth's Chris Steak House, Inc. (a) |
| | 9,770 | Sonic Corp. (a) |
| | 4,600 | The Steak n Shake Co. (a) |

Small Cap Premium & Dividend Income Fund Inc.
 Schedule of Investments as of December 31, 2007

(in U.S. dollars)

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| Industry | Shares Held | Common Stocks |
|---------------|----------------|--|
| | 8,600 | Texas Roadhouse, Inc. Class A (a) |
| | 10,200 | Triarc Cos. |
| <hr/> | | |
| Retail - 2.7% | 4,800 | 1-800-FLOWERS.COM, Inc. Class A (a) |
| | 7,500 | 99 Cents Only Stores (a) |
| | 3,200 | A.C. Moore Arts & Crafts, Inc. (a) |
| | 3,400 | Asbury Automotive Group, Inc. |
| | 11,000 | Aeropostale, Inc. (a) |
| | 4,100 | bebe Stores, Inc. |
| | 4,000 | Big 5 Sporting Goods Corp. |
| | 30,900 | Blockbuster, Inc. Class A (a) |
| | 2,300 | Blue Nile, Inc. (a) |
| | 1,300 | The Bon-Ton Stores, Inc. |
| | 3,100 | Books-A-Million, Inc. |
| | 9,300 | Borders Group, Inc. |
| | 7,125 | Brown Shoe Co., Inc. |
| | 2,300 | The Buckle, Inc. |
| | 2,500 | Build-A-Bear Workshop, Inc. (a) |
| | 7,200 | CSK Auto Corp. (a) |
| | 5,600 | Cabela's, Inc. Class A (a) |
| | 2,600 | Cache, Inc. (a) |
| | 6,700 | Casual Male Retail Group, Inc. |
| | 5,300 | The Cato Corp. Class A |
| | 11,369 | Central Garden & Pet Co. Class A (a) |
| | 4,100 | Charlotte Russe Holding, Inc. (a) |
| | 17,400 | Charming Shoppes, Inc. (a) |
| | 3,300 | The Children's Place Retail Stores, Inc. (a) |
| | 5,800 | Christopher & Banks Corp. |
| | 10,000 | Collective Brands, Inc. (a) |
| | 1,500 | Conn's, Inc. (a) |
| | 7,600 | Dress Barn, Inc. (a) |
| | 3,800 | Eddie Bauer Holdings, Inc. (a) |
| | 6,300 | Ezcorp, Inc. (a) |
| | 2,300 | FTD Group, Inc. |
| | 6,500 | Fred's, Inc. |
| | 3,600 | GSI Commerce, Inc. (a) |
| | 2,800 | Gaiam, Inc. (a) |
| | 500 | Gander Mountain Co. (a) |
| | 3,800 | Genesco, Inc. (a) |
| | 3,900 | Group 1 Automotive, Inc. |
| | 4,900 | Gymboree Corp. (a) |
| | 5,550 | Hibbett Sports, Inc. (a) |
| | 7,800 | Hot Topic, Inc. (a) |
| | 8,100 | Insight Enterprises, Inc. (a) |
| | 4,000 | Jo-Ann Stores, Inc. (a) |
| | 3,125 | Jos. A. Bank Clothiers, Inc. (a) |
| | 979 | Lawson Products, Inc. |
| | 2,600 | Lithia Motors, Inc. Class A |
| | 2,600 | MarineMax, Inc. (a) |
| | 8,400 | Men's Wearhouse, Inc. |
| | 3,500 | New York & Co. (a) |
| | 2,800 | Overstock.com, Inc. (a) |
| | 900 | PC Connection, Inc. (a) |

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| | |
|--------|---|
| 10,600 | Pacific Sunwear of California, Inc. (a) |
| 3,700 | The Pantry, Inc. (a) |
| 7,100 | The Pep Boys - Manny, Moe & Jack |
| 4,100 | PetMed Express, Inc. (a) |
| 14,400 | Pier 1 Imports, Inc. (a) |

Small Cap Premium & Dividend Income Fund Inc.
 Schedule of Investments as of December 31, 2007

(in U.S. dollars)

| Industry | Shares Held | Common Stocks |
|-----------------------|----------------|-------------------------------------|
| ----- | | |
| | 1,900 | PriceSmart, Inc. |
| | 6,000 | Priceline.com, Inc. (a) |
| | 3,500 | Retail Ventures, Inc. (a) |
| | 5,400 | Rush Enterprises, Inc. Class A (a) |
| | 2,700 | Russ Berrie & Co., Inc. (a) |
| | 14,000 | Sally Beauty Co., Inc. (a) |
| | 3,700 | School Specialty, Inc. (a) |
| | 2,100 | Shutterfly, Inc. (a) |
| | 5,000 | Sonic Automotive, Inc. |
| | 7,050 | Stage Stores, Inc. |
| | 3,300 | Stamps.com, Inc. |
| | 4,400 | Stein Mart, Inc. |
| | 500 | Syms Corp. |
| | 1,300 | Systemax, Inc. |
| | 3,700 | The Talbots, Inc. |
| | 4,900 | Tuesday Morning Corp. |
| | 3,700 | Tween Brands, Inc. (a) |
| | 7,000 | United Natural Foods, Inc. (a) |
| | 5,100 | ValueVision Media, Inc. Class A (a) |
| | 2,200 | Volcom, Inc. (a) |
| | 12,600 | The Wet Seal, Inc. Class A (a) |
| | 6,500 | Zale Corp. (a) |
| | 3,100 | Zumiez, Inc. (a) |
| ----- | | |
| Savings & Loan - 1.0% | 3,400 | Anchor Bancorp Wisconsin, Inc. |
| | 9,900 | Bank Mutual Corp. |
| | 8,100 | BankAtlantic Bancorp, Inc. Class A |
| | 5,200 | BankUnited Financial Corp. Class A |
| | 1,400 | Berkshire Hills Bancorp, Inc. |
| | 10,200 | Brookline Bancorp, Inc. |
| | 4,400 | Dime Community Bancshares, Inc. |
| | 3,100 | Downey Financial Corp. |
| | 2,300 | First Financial Holdings, Inc. |
| | 2,225 | First Indiana Corp. |
| | 15,300 | First Niagara Financial Group, Inc. |
| | 2,300 | First Place Financial Corp. |
| | 2,400 | FirstFed Financial Corp. (a) |
| | 7,100 | Flagstar Bancorp, Inc. |
| | 3,400 | Flushing Financial Corp. |
| | 1,700 | Great Southern Bancorp, Inc. |
| | 1,950 | Horizon Financial Corp. |
| | 1,900 | IBERIABANK Corp. |

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| | |
|--------|------------------------------------|
| 1,300 | Imperial Capital Bancorp, Inc. |
| 4,500 | KNBT Bancorp, Inc. |
| 3,500 | Kearny Financial Corp. |
| 200 | NASB Financial, Inc. |
| 18,500 | NewAlliance Bancshares, Inc. |
| 3,000 | Northwest Bancorp, Inc. |
| 5,800 | Ocwen Financial Corp. (a) |
| 3,600 | PFF Bancorp, Inc. |
| 10,700 | Provident Financial Services, Inc. |
| 6,900 | Provident New York Bancorp |
| 1,400 | Rockville Financial, Inc. |
| 900 | Roma Financial Corp. |
| 8,460 | Sterling Financial Corp. |
| 3,200 | TierOne Corp. |
| 4,400 | United Community Financial Corp. |
| 1,300 | ViewPoint Financial Group |

Small Cap Premium & Dividend Income Fund Inc.
 Schedule of Investments as of December 31, 2007

(in U.S. dollars)

| Industry | Shares Held | Common Stocks |
|---|----------------|---|
| <hr/> | | |
| | 18,600 | W Holding Co., Inc. |
| | 1,700 | Westfield Financial, Inc. |
| <hr/> | | |
| Scientific Equipment & Suppliers - 0.2% | 6,400 | Newport Corp. (a) |
| | 4,900 | Varian, Inc. (a) |
| <hr/> | | |
| Securities Brokerage & Services - 0.5% | 8,600 | Centerline Holding Co. |
| | 2,500 | GFI Group, Inc. (a) |
| | 4,300 | KBW, Inc. (a) |
| | 15,600 | Knight Capital Group, Inc. Class A (a) |
| | 8,700 | LaBranche & Co., Inc. (a) |
| | 12,300 | Ladenburg Thalmann Financial Services, Inc. (a) |
| | 5,100 | MarketAxess Holdings, Inc. (a) |
| | 6,700 | optionsXpress Holdings, Inc. |
| | 1,800 | Penson Worldwide, Inc. (a) |
| | 4,200 | SWS Group, Inc. |
| | 2,821 | Thomas Weisel Partners Group, Inc. (a) |
| <hr/> | | |
| Services: Commercial - 3.0% | 7,200 | ABM Industries, Inc. |
| | 5,600 | AMN Healthcare Services, Inc. (a) |
| | 3,800 | Administaff, Inc. |
| | 3,100 | The Advisory Board Co. (a) |
| | 3,000 | Ambassadors Group, Inc. |
| | 2,000 | Ambassadors International, Inc. |
| | 700 | Barrett Business Services, Inc. |
| | 7,700 | CBIZ, Inc. (a) |
| | 2,200 | CDI Corp. |

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| | |
|--------|---|
| 2,000 | CRA International, Inc. (a) |
| 3,700 | Casella Waste Systems, Inc. (a) |
| 3,900 | Chemed Corp. |
| 3,100 | CoStar Group, Inc. (a) |
| 4,800 | Coinstar, Inc. (a) |
| 1,700 | Cornell Cos., Inc. (a) |
| 5,600 | Cross Country Healthcare, Inc. (a) |
| 4,600 | Diamond Management & Technology Consultants, Inc. |
| 4,100 | DynCorp. International, Inc. (a) |
| 2,800 | Exponent, Inc. (a) |
| 7,400 | FTI Consulting, Inc. (a) |
| 1,300 | First Advantage Corp. Class A (a) |
| 2,400 | Forrester Research, Inc. (a) |
| 3,600 | G&K Services, Inc. Class A |
| 8,200 | The Geo Group, Inc. (a) |
| 4,600 | Gevity HR, Inc. |
| 2,680 | Global Sources Ltd. (a) |
| 8,800 | Harris Interactive, Inc. (a) |
| 3,100 | Heidrick & Struggles International, Inc. |
| 5,900 | Home Solutions of America, Inc. (a) |
| 4,100 | Hudson Highland Group, Inc. (a) |
| 1,300 | ICT Group, Inc. (a) |
| 15,100 | IKON Office Solutions, Inc. |
| 4,900 | Jackson Hewitt Tax Service, Inc. |
| 3,800 | Kelly Services, Inc. Class A |
| 5,100 | Kforce, Inc. (a) |
| 4,900 | The Knot, Inc. (a) |
| 7,200 | Korn/Ferry International (a) |
| 1,700 | Liquidity Services, Inc. (a) |
| 2,700 | MAXIMUS, Inc. |
| 16,600 | MPS Group, Inc. (a) |

Small Cap Premium & Dividend Income Fund Inc.
 Schedule of Investments as of December 31, 2007

(in U.S. dollars)

| Industry | Shares Held | Common Stocks |
|----------|----------------|-----------------------------------|
| | 2,700 | Midas, Inc. (a) |
| | 3,000 | Monro Muffler, Inc. |
| | 7,900 | Navigant Consulting, Inc. (a) |
| | 7,000 | Net 1 UEPS Technologies, Inc. (a) |
| | 5,300 | On Assignment, Inc. (a) |
| | 4,600 | Orbitz Worldwide, Inc. (a) |
| | 8,700 | PHH Corp. (a) |
| | 4,300 | People Support, Inc. (a) |
| | 4,300 | Perficient, Inc. (a) |
| | 1,600 | Pre-Paid Legal Services, Inc. (a) |
| | 2,100 | The Providence Service Corp. (a) |
| | 7,200 | Regis Corp. |
| | 8,400 | Resources Connection, Inc. |
| | 7,400 | Rollins, Inc. |
| | 8,100 | Source Interlink Cos., Inc. (a) |
| | 10,000 | Spherion Corp. (a) |
| | 600 | Standard Parking Corp. (a) |
| | 2,300 | Steiner Leisure Ltd. (a) |

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| | |
|--------|-------------------------------------|
| 6,300 | TeleTech Holdings, Inc. (a) |
| 9,800 | Tetra Tech, Inc. (a) |
| 600 | Travelzoo, Inc. (a) |
| 7,500 | TrueBlue, Inc. (a) |
| 2,000 | Unifirst Corp. |
| 3,400 | Viad Corp. |
| 2,250 | Volt Information Sciences, Inc. (a) |
| 11,100 | Waste Connections, Inc. (a) |
| 700 | Waste Industries USA, Inc. |
| 3,133 | Waste Services, Inc. (a) |
| 6,900 | Watson Wyatt Worldwide, Inc. |
| 4,600 | World Fuel Services Corp. |

Shipping - 0.6%

| | |
|-------|--------------------------------------|
| 8,500 | American Commercial Lines, Inc. (a) |
| 1,600 | Arlington Tankers Ltd |
| 2,500 | Double Hull Tankers, Inc. |
| 7,100 | Eagle Bulk Shipping, Inc. |
| 3,100 | Genco Shipping & Trading Ltd. |
| 4,200 | General Maritime Corp. |
| 6,000 | Golar LNG Ltd. |
| 3,900 | Gulfmark Offshore, Inc. (a) |
| 5,000 | Horizon Lines, Inc. Class A |
| 2,300 | Knightsbridge Tankers Ltd. |
| 4,500 | Nordic American Tanker Shipping Ltd. |
| 5,400 | Ship Finance International Ltd. |
| 600 | TBS International Ltd. (a) |

Shoes - 0.5%

| | |
|-------|--|
| 2,600 | DSW, Inc. Class A (a) |
| 2,000 | Deckers Outdoor Corp. (a) |
| 6,800 | The Finish Line, Inc. Class A |
| 1,000 | Heelys, Inc. (a) |
| 8,300 | Iconix Brand Group, Inc. (a) |
| 4,200 | K-Swiss, Inc. Class A |
| 1,600 | Kenneth Cole Productions, Inc. Class A |
| 1,500 | Shoe Carnival, Inc. (a) |
| 3,200 | Skechers U.S.A., Inc. Class A (a) |
| 3,300 | Steven Madden Ltd. (a) |
| 7,600 | Timberland Co. Class A (a) |
| 800 | Weyco Group, Inc. |

Small Cap Premium & Dividend Income Fund Inc.
 Schedule of Investments as of December 31, 2007

(in U.S. dollars)

| Industry | Shares | |
|----------|--------|---------------|
| | Held | Common Stocks |

| | | |
|--|-------|----------------------------|
| | 8,800 | Wolverine World Wide, Inc. |
|--|-------|----------------------------|

Steel - 0.3%

| | |
|-------|--------------------------|
| 958 | Claymont Steel, Inc. (a) |
| 1,500 | Esmark, Inc. (a) |

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| | |
|--------|--|
| 4,100 | Gibraltar Industries, Inc. |
| 1,400 | Olympic Steel, Inc. |
| 3,500 | Schnitzer Steel Industries, Inc. Class A |
| 1,300 | Universal Stainless & Alloy Products, Inc. (a) |
| 11,200 | Worthington Industries, Inc. |

| | | |
|--------------|-------|-------------------------------|
| Sugar - 0.0% | 1,900 | Imperial Sugar Co. New Shares |
|--------------|-------|-------------------------------|

| | | |
|--|--------|----------------------------------|
| Telecommunications Equipment - 0.6% | 100 | Airvana, Inc. (a) |
| | 24,544 | Arris Group, Inc. (a) |
| | 2,800 | Audiovox Corp. Class A (a) |
| | 7,300 | Belden, Inc. |
| | 6,900 | Mastec, Inc. (a) |
| | 2,100 | OpNext, Inc. (a) |
| | 7,800 | Plantronics, Inc. |
| | 14,300 | Polycom, Inc. (a) |
| | 20,500 | Powerwave Technologies, Inc. (a) |
| | 200 | Preformed Line Products Co. |
| | 8,000 | Symmetricom, Inc. (a) |

| | | |
|-------------------------|-------|-------------------------|
| Textile Products - 0.1% | 8,900 | Interface, Inc. Class A |
|-------------------------|-------|-------------------------|

| | | |
|--|--------|-------------------------------------|
| Textiles Apparel Manufacturers - 0.7% | 8,800 | Carter's, Inc. (a) |
| | 1,400 | Cherokee, Inc. |
| | 2,200 | Columbia Sportswear Co. |
| | 1,600 | G-III Apparel Group, Ltd. (a) |
| | 6,070 | J. Crew Group, Inc. (a) |
| | 4,200 | Kellwood Co. |
| | 2,200 | Lululemon Athletica, Inc. (a) |
| | 3,000 | Maidenform Brands, Inc. (a) |
| | 2,500 | Oxford Industries, Inc. |
| | 1,950 | Perry Ellis International, Inc. (a) |
| | 20,100 | Quiksilver, Inc. (a) |
| | 2,600 | True Religion Apparel, Inc. (a) |
| | 3,900 | Under Armour, Inc. Class A (a) |
| | 7,500 | The Warnaco Group, Inc. (a) |

| | | |
|-----------------------|--------|---------------------------|
| Tires & Rubber - 0.1% | 10,000 | Cooper Tire & Rubber Co. |
| | 3,600 | Titan International, Inc. |

| | | |
|----------------|--------|--|
| Tobacco - 0.2% | 15,700 | Alliance One International, Inc. (a) |
| | 2,500 | Schweitzer-Mauduit International, Inc. |
| | 4,400 | Universal Corp. |
| | 5,519 | Vector Group Ltd. |

| | | |
|-------------|-------|--------------------------------|
| Toys - 0.2% | 4,700 | Jakks Pacific, Inc. (a) |
| | 5,600 | Leapfrog Enterprises, Inc. (a) |
| | 8,300 | Marvel Entertainment, Inc. (a) |

| | | |
|------------------------------|-------|-------------------------|
| Transportation Miscellaneous | 4,000 | Celadon Group, Inc. (a) |
|------------------------------|-------|-------------------------|

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| | | |
|--------|-------|--------------------------------------|
| - 0.2% | 1,400 | Dynamex, Inc. (a) |
| | 6,300 | HUB Group, Inc. Class A (a) |
| | 7,900 | Odyssey Marine Exploration, Inc. (a) |
| | 6,000 | Pacer International, Inc. |

Small Cap Premium & Dividend Income Fund Inc.
 Schedule of Investments as of December 31, 2007

(in U.S. dollars)

| Industry | Shares Held | Common Stocks |
|---------------------------------------|----------------|---|
| | 600 | Textainer Group Holdings Ltd. |
| | 2,500 | Ultrapetrol Bahamas Ltd. (a) |
| | | |
| Truckers - 0.4% | 3,100 | Arkansas Best Corp. |
| | 5,100 | Forward Air Corp. |
| | 10,100 | Heartland Express, Inc. |
| | 9,350 | Knight Transportation, Inc. |
| | 2,500 | Marten Transport Ltd. (a) |
| | 4,850 | Old Dominion Freight Line, Inc. (a) |
| | 100 | Patriot Transportation Holding, Inc. (a) |
| | 2,600 | Saia, Inc. (a) |
| | 1,000 | Universal Truckload Services, Inc. (a) |
| | 7,400 | Werner Enterprises, Inc. |
| | | |
| Utilities: Cable TV & Radio - 0.0% | 8,800 | Mediacom Communications Corp. Class A (a) |
| | | |
| Utilities: Electrical - 1.5% | 4,100 | Allete, Inc. |
| | 8,500 | Avista Corp. |
| | 6,100 | Black Hills Corp. |
| | 2,600 | CH Energy Group, Inc. |
| | 1,300 | Central Vermont Public Service Corp. |
| | 9,600 | Cleco Corp. |
| | 7,800 | El Paso Electric Co. (a) |
| | 5,300 | The Empire District Electric Co. |
| | 6,700 | IDACORP, Inc. |
| | 6,700 | ITC Holdings Corp. |
| | 3,500 | MGE Energy, Inc. |
| | 5,400 | NorthWestern Corp. |
| | 4,800 | Otter Tail Corp. |
| | 11,800 | PNM Resources, Inc. |
| | 2,800 | Pike Electric Corp. (a) |
| | 4,700 | Portland General Electric Co. |
| | 4,333 | UIL Holdings Corp. |
| | 5,700 | Unisource Energy Corp. |
| | 15,800 | Westar Energy, Inc. |
| | | |
| Utilities: Gas Distributors - 0.8% | 1,200 | EnergySouth, Inc. |
| | 3,500 | The Laclede Group, Inc. |

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| | |
|--------|-------------------------------|
| 4,600 | New Jersey Resources Corp. |
| 7,000 | Nicor, Inc. |
| 4,500 | Northwest Natural Gas Co. |
| 12,100 | Piedmont Natural Gas Co. |
| 5,000 | South Jersey Industries, Inc. |
| 6,900 | Southwest Gas Corp. |
| 7,500 | WGL Holdings, Inc. |

Utilities: Miscellaneous - 0.1% 61,000 Aquila, Inc. (a)

| | | |
|-------------------------------|--------|--|
| Utilities: Telecommunications | 7,400 | Alaska Communications Systems Group, Inc. |
| - 1.2% | 1,200 | Atlantic Tele-Network, Inc. |
| | 4,800 | Centennial Communications Corp. (a) |
| | 42,200 | Cincinnati Bell, Inc. (a) |
| | 3,200 | Consolidated Communications Holdings, Inc. |
| | 5,300 | FairPoint Communications, Inc. |
| | 20,010 | FiberTower Corp. (a) |
| | 8,700 | General Communication, Inc. Class A (a) |
| | 6,000 | Global Crossing Ltd. (a) |
| | 2,100 | Globalstar, Inc. (a) |
| | 2,600 | Golden Telecom, Inc. (a)(b) |

Small Cap Premium & Dividend Income Fund Inc.
 Schedule of Investments as of December 31, 2007 (in U.S. dollars)

| Industry | Shares Held | Common Stocks |
|----------|----------------|---|
| | 18,600 | ICO Global Communications Holdings Ltd. (a) |
| | 8,100 | IDT Corp. Class B |
| | 2,800 | iPCS, Inc. |
| | 3,900 | Ibasis, Inc. |
| | 5,100 | Iowa Telecommunications Services, Inc. |
| | 4,100 | NTELOS Holdings Corp. |
| | 700 | Neutral Tandem, Inc. (a) |
| | 3,400 | North Pittsburgh Systems, Inc. |
| | 3,300 | ORBCOMM, Inc. (a) |
| | 11,470 | PAETEC Holding Corp. (a) |
| | 10,500 | Premiere Global Services, Inc. (a) |
| | 4,800 | RCN Corp. |
| | 1,800 | Rural Cellular Corp. Class A (a) |
| | 3,600 | Shenandoah Telecom Co. |
| | 2,400 | SureWest Communications |
| | 23,730 | Time Warner Telecom, Inc. Class A (a) |
| | 4,300 | USA Mobility, Inc. |
| | 3,600 | Virgin Mobile USA, Inc. (a) |

| | | |
|-------------------------|-------|--------------------------------|
| Utilities: Water - 0.2% | 3,000 | American States Water Co. |
| | 3,100 | California Water Service Group |
| | 1,900 | Consolidated Water Co., Inc. |
| | 2,500 | SJW Corp. |
| | 3,965 | Southwest Water Co. |

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| | | |
|---|-------|---|
| Wholesale & International Trade - 0.1% | 5,800 | Central European Distribution Corp. (a) |
|---|-------|---|

| | | |
|--------------------|--------|------------------------------------|
| Wholesalers - 0.3% | 8,230 | Brightpoint, Inc. (a) |
| | 2,200 | Houston Wire & Cable Co. |
| | 18,200 | LKQ Corp. (a) |
| | 1,400 | MWI Veterinary Supply, Inc. (a) |
| | 5,500 | Prestige Brands Holdings, Inc. (a) |
| | 3,800 | United Stationers, Inc. (a) |

| |
|---|
| Total Common Stocks (Cost - \$201,969,927) - 87.5% |
|---|

Investment Companies

| | |
|-------|--|
| 1,000 | BlackRock Kelso Capital Corp. (e) |
| 2,300 | Gladstone Capital Corp. |
| 5,500 | Hercules Technology Growth Capital, Inc. |
| 1,100 | Kayne Anderson Energy Development Co. |
| 4,400 | Patriot Capital Funding, Inc. |
| 3,800 | Pennantpark Investment Corp. |
| 3,000 | Prospect Capital Corp. |

| |
|---|
| Total Investment Companies (Cost - \$343,489) - 0.1% |
|---|

Rights

| | | |
|------------------|-----|---------------------------------|
| Chemicals - 0.0% | 360 | Medis Technologies Ltd. (a) (d) |
|------------------|-----|---------------------------------|

| |
|-------------------------------------|
| Total Rights (Cost - \$0) - 0.0% |
|-------------------------------------|

| | |
|----------------|-----------------------|
| Face Amount | Short-Term Securities |
|----------------|-----------------------|

| | | |
|-----------------------|---------------|--|
| Time Deposits - 13.7% | \$ 32,181,442 | State Street Bank & Trust Co., 3.25% due 1/02/2008 |
|-----------------------|---------------|--|

| |
|--|
| Total Short-Term Securities (Cost - \$32,181,442) - 13.7% |
|--|

| |
|--|
| Total Investments Before Options Written (Cost - \$234,494,858*) - 101.3% |
|--|

Small Cap Premium & Dividend Income Fund Inc.
Schedule of Investments as of December 31, 2007

(in U.S. dollars)

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| | Number of Contracts | Options Written |
|--|------------------------|--|
| Call Options Written | 750 | Russell 2000 Index, expiring January 2008 at USD 770 |
| | 750 | Russell 2000 Index, expiring January 2008 at USD 780 |
| ----- | | |
| Total Options Written (Premiums Received - \$3,235,500) - (0.8%) | | |
| ----- | | |
| Total Investments, Net of Options Written (Cost - \$231,259,358) - 100.5% | | |
| Liabilities in Excess of Other Assets - (0.5%) | | |
| Net Assets - 100.0% | | |

* The cost and unrealized appreciation (depreciation) of investments, as of December 31, 2007, as computed for federal income tax purposes, were as follows:

| | |
|-------------------------------|----------------|
| Aggregate cost | \$ 237,617,800 |
| | ===== |
| Gross unrealized appreciation | \$ 4,448,732 |
| Gross unrealized depreciation | (4,325,908) |
| | ----- |
| Net unrealized appreciation | \$ 122,824 |
| | ===== |

- (a) Non-income producing security.
- (b) Depositary receipts.
- (c) All or a portion of security held as collateral in connection with open financial futures contracts.
- (d) The rights may be exercised until January 7, 2008.
- (e) Investments in companies considered to be an affiliate of the Fund, for purposes of Section 2(a)(3) of the Investment Company Act of 1940, were as follows:

| Affiliate | Purchase Cost | Sales Cost | Realized Gain | Dividend Income |
|-------------------------------|------------------|---------------|------------------|--------------------|
| Anthracite Capital, Inc. | \$ 6,075 | \$ 6,012 | \$ 304 | \$ 11,690 |
| BlackRock Kelso Capital Corp. | \$ 15,419 | -- | -- | -- |

- o For Fund portfolio compliance purposes, the Fund's industry classifications refer to any one or more of the industry sub-classifications used by one or more widely recognized market indexes or ratings group indexes, and/or as defined by Fund management. This definition may not apply for purposes of this report, which may combine industry sub-classifications for reporting ease. Industries are shown as a percent of net assets. These industry classifications are unaudited.
- o Financial futures contracts purchased as of December 31, 2007 were as follows:

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| Number of Contracts | Issue | Expiration Date | Face Value | Unrealized Appreciation |
|---------------------|--------------------|-----------------|---------------|-------------------------|
| 75 | Russell 2000 Index | March 2008 | \$ 28,884,339 | \$ 73,161 |

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON DETAILED SCHEDULE OF INVESTMENTS

To the Shareholders and Board of Directors of
Small Cap Premium & Dividend Income Fund Inc:

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the financial statements of Small Cap Premium & Dividend Income Fund Inc. (the "Fund") as of December 31, 2007, and for the year then ended and have issued our report thereon dated February 29, 2008 which report and financial statements are included in Item 1 of this Certified Shareholder Report on Form N-CSR. Our audit also included the Fund's schedule of investments in securities (the "Schedule") as of December 31, 2007 appearing in Item 6 of this Form N-CSR. This Schedule is the responsibility of the Fund's management. Our responsibility is to express an opinion based on our audit. In our opinion, the Schedule referred to above, when considered in relation to the basic financial statements taken as a whole of the Fund referred to above, presents fairly, in all material respects, the information set forth therein.

Deloitte & Touche LLP

Princeton, New Jersey
February 29, 2008

Item 7 - Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies - The registrant has delegated the voting of proxies relating to its voting securities to its investment sub-adviser, BlackRock Advisors, LLC (the "Sub-Adviser" or "BlackRock"). The Proxy Voting Policies and Procedures of the Sub-Adviser (the "Proxy Voting Policies") are attached as an Exhibit hereto.

Item 8 - Portfolio Managers of Closed-End Management Investment Companies - as of December 31, 2007.

(a) (1) Small Cap Premium & Dividend Income Fund Inc. is managed by Jonathan A. Clark, Managing Director at BlackRock and Debra L. Jelilian, Director at BlackRock. Each is a member of BlackRock's Quantitative Investments team. Mr. Clark and Ms. Jelilian are jointly responsible for the day-to-day management of the Fund's portfolio and the selection of its investments. Mr. Clark and Ms. Jelilian have been the Fund's portfolio managers since 2005.

Mr. Clark joined BlackRock in 2006. Mr. Clark was a Director at BlackRock from 2006 to 2007. Prior to joining BlackRock, he was a Director of Merrill Lynch Investment Managers, L.P. ("MLIM") from

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1999 to 2006. At MLIM, he was a member of the Quantitative Investments team, responsible for managing arbitrage and derivative strategies for enhanced and structured portfolios. He also managed a commodities futures portfolio, and was a member of the Quantitative Investment Committee.

Ms. Jelilian joined BlackRock in 2006. Prior to joining BlackRock, she was a Director at MLIM from 1999 to 2006. At MLIM, she was a member of the Quantitative Investments team, responsible for the management of MLIM's equity index portfolios and leading MLIM's transition management efforts in the Americas. She was also a member of the Quantitative Investment Committee.

(a) (2) As of December 31, 2007:

| (ii) Number of Other Accounts Managed and Assets by Account Type | | | | |
|--|---------------------------------------|----------------------------------|------------------|---------------------------------------|
| (i) Name of Portfolio Manager | Other Registered Investment Companies | Other Pooled Investment Vehicles | Other Accounts | Other Registered Investment Companies |
| Jonathan A. Clark | 9 | 5 | 0 | 0 |
| | \$3,200,240,495 | \$1,243,653,307 | \$0 | \$0 |
| Debra L. Jelilian | 25 | 18 | 22 | 0 |
| | \$24,550,722,411 | \$10,597,337,547 | \$35,513,726,340 | \$0 |

(iv) Potential Material Conflicts of Interest

BlackRock has built a professional working environment, firm-wide compliance culture and compliance procedures and systems designed to protect against potential incentives that may favor one account over another. BlackRock has adopted policies and procedures that address the allocation of investment opportunities, execution of portfolio transactions, personal trading by employees and other potential conflicts of interest that are designed to ensure that all client accounts are treated equitably over time. Nevertheless, BlackRock furnishes investment management and advisory services to numerous

clients in addition to the Fund, and BlackRock may, consistent with applicable law, make investment recommendations to other clients or accounts (including accounts which are hedge funds or have performance or higher fees paid to BlackRock, or in which portfolio managers have a personal interest in the receipt of such fees), which may be the same as or different from those made to the Fund. In addition, BlackRock, its affiliates and any officer, director, stockholder or employee may or may not have an interest in the

securities whose purchase and sale BlackRock recommends to the Fund. BlackRock, or any of its affiliates, or any officer, director, stockholder, employee or any member of their families may take different actions than those recommended to the Fund by BlackRock with respect to the same securities. Moreover, BlackRock may refrain from rendering any advice or services concerning securities of companies of which any of BlackRock's (or its affiliates') officers, directors or employees are directors or officers, or companies as to which BlackRock or any of its affiliates or the officers, directors and employees of any of them has any substantial economic interest or possesses material non-public information. Each portfolio manager also may manage accounts whose investment strategies may at times be opposed to the strategy utilized for the Fund. In this connection, it should be noted that Ms. Jelilian currently manages certain accounts that are subject to performance fees. In addition, certain portfolio managers may assist in managing certain hedge funds and may be entitled to receive a portion of any incentive fees earned on such funds and a portion of such incentive fees may be voluntarily or involuntarily deferred. Additional portfolio managers may in the future manage other such accounts or funds and may be entitled to receive incentive fees.

As a fiduciary, BlackRock owes a duty of loyalty to its clients and must treat each client fairly. When BlackRock purchases or sells securities for more than one account, the trades must be allocated in a manner consistent with its fiduciary duties. BlackRock attempts to allocate investments in a fair and equitable manner among client accounts, with no account receiving preferential treatment. To this end, BlackRock has adopted a policy that is intended to ensure that investment opportunities are allocated fairly and equitably among client accounts over time. This policy also seeks to achieve reasonable efficiency in client transactions and provide BlackRock with sufficient flexibility to allocate investments in a manner that is consistent with the particular investment discipline and client base.

(a) (3) As of December 31, 2007:

Portfolio Manager Compensation Overview

BlackRock's financial arrangements with its portfolio managers, its competitive compensation and its career path emphasis at all levels reflect the value senior management places on key resources. Compensation may include a variety of components and may vary from year to year based on a number of factors. The principal components of compensation include a base salary, a performance-based discretionary bonus, participation in various benefits programs and one or more of the incentive compensation programs established by BlackRock such as its Long-Term Retention and Incentive Plan.

Base compensation. Generally, portfolio managers receive base compensation based on their seniority and/or their position with the firm. Senior portfolio managers who perform additional management functions within the portfolio management group or within BlackRock may receive additional compensation for serving in these other capacities.

Discretionary Incentive Compensation

Discretionary incentive compensation is a function of several

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components: the performance of BlackRock, Inc., the performance of the portfolio manager's group within BlackRock, the investment performance, including risk-adjusted returns, of the firm's assets under management or supervision by that portfolio manager relative to predetermined benchmarks, and the individual's seniority, role within the portfolio management team, teamwork and contribution to the overall performance of these portfolios and BlackRock. In most cases, including for the portfolio managers of the Fund, these benchmarks are the same as the benchmark or benchmarks against which the performance of the Fund or other accounts managed by the portfolio managers are measured. BlackRock's Chief Investment Officers determine the benchmarks against which to compare the performance of funds and other accounts managed by each portfolio manager and the period of time over which performance is evaluated. With respect to the portfolio managers, such benchmarks for the Fund include the following:

| Portfolio Manager | Benchmarks Applicable to Each Manager |
|-------------------|---|
| Jonathan A. Clark | A combination of market-based indices (e.g., The S&P 500(R) Index, MSCI World Index), certain customized indices and certain fund industry peer groups. |
| Debra L. Jelilian | A combination of market-based indices (e.g., The S&P 500(R) Index), certain customized indices and certain fund industry peer groups. |

BlackRock's Chief Investment Officers make a subjective determination with respect to the portfolio manager's compensation based on the performance of the funds and other accounts managed by each portfolio manager relative to the various benchmarks noted above. Performance is measured on both a pre-tax basis over various time periods including 1, 3 and 5-year periods, as applicable.

Distribution of Discretionary Incentive Compensation

Discretionary incentive compensation is distributed to portfolio managers in a combination of cash and BlackRock, Inc. restricted stock units which vest ratably over a number of years. The BlackRock, Inc. restricted stock units, if properly vested, will be settled in BlackRock, Inc. common stock. Typically, the cash bonus, when combined with base salary, represents more than 60% of total compensation for the portfolio managers. Paying a portion of annual bonuses in stock puts compensation earned by a portfolio manager for a given year "at risk" based on the Company's ability to sustain and improve its performance over future periods.

Other compensation benefits. In addition to base compensation and discretionary incentive compensation, portfolio managers may be eligible to receive or participate in one or more of the following:

Long-Term Retention and Incentive Plan ("LTIP") --The LTIP is a long-term incentive plan that seeks to reward certain key employees. Beginning in 2006, awards are granted under the LTIP in the form of BlackRock, Inc. restricted stock units that, if properly vested and subject to the attainment of certain performance goals, will be settled in BlackRock, Inc. common stock. Mr. Clark and Ms. Jelilian have each received awards under the LTIP.

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Deferred Compensation Program --A portion of the compensation paid to each portfolio manager may be voluntarily deferred by the portfolio manager into an account that tracks the performance of certain of the firm's investment products. Each portfolio manager is permitted to allocate his deferred amounts among various options, including to certain of the firm's hedge funds and other unregistered products. Every portfolio manager is eligible to participate in the deferred compensation program.

Incentive Savings Plans -- BlackRock, Inc. has created a variety of incentive savings plans in which BlackRock employees are eligible to participate, including a 401(k) plan, the BlackRock Retirement Savings Plan (RSP) and the BlackRock Employee Stock Purchase Plan (ESPP). The employer contribution components of the RSP include a company match equal to 50% of the first 6% of eligible pay contributed to the plan capped at \$4,000 per year, and a company retirement contribution equal to 3% of eligible compensation, plus an additional contribution of 2% for any year in which BlackRock has positive net operating income. The RSP offers a range of investment options, including registered investment companies managed by the firm. Company contributions follow the investment direction set by participants for their own contributions or absent, employee investment direction, are invested into a balanced portfolio. The ESPP allows for investment in BlackRock common stock at a 5% discount on the fair market value of the stock on the purchase date. Annual participation in the ESPP is limited to the purchase of 1,000 shares or a dollar value of \$25,000. Each portfolio manager is eligible to participate in these plans.

(a) (4) Beneficial Ownership of Securities. As of December 31, 2007, neither Mr. Clark nor Ms. Jelilian beneficially owned any stock issued by the Fund.

Item 9 - Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers -

| Period | (a) Total Number of Shares Purchased | (b) Average Price Paid per Share | (c) Total Number of Shares Purchased as of Publicly Announced Plans or Programs |
|----------------------|--------------------------------------|----------------------------------|---|
| July 1-31, 2007 | 49,300 | \$18.82 (1) | 49,300 (2) |
| August 1-31, 2007 | | | |
| September 1-30, 2007 | | | |
| October 1-31, 2007 | | | |
| November 1-30, 2007 | | | |
| December 1-31, 2007 | | | |
| Total: | 49,300 | \$18.82 (1) | 49,300 (2) |

- (1) Subject to a repurchase fee of up to 0.38% of the net asset value per share.
- (2) On May 29, 2007, the repurchase offer was announced to repurchase up to 5% of outstanding shares. The expiration date of the offer was July 6, 2007. The registrant may conduct annual repurchases for between 5% and 25% of its outstanding shares pursuant to Rule 23c-3 under the Investment Company Act of 1940, as amended.

Item 10 - Submission of Matters to a Vote of Security Holders - The registrant's Nominating and Corporate Governance Committee will consider nominees to the Board recommended by shareholders when a vacancy becomes available. Shareholders who wish to recommend a nominee should send nominations which include biographical information and set forth the qualifications of the proposed nominee to the registrant's Secretary. There have been no material changes to these procedures.

Item 11 - Controls and Procedures

11(a) - The registrant's principal executive and principal financial officers or persons performing similar functions have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act")) are effective as of a date within 90 days of the filing of this report based on the evaluation of these controls and procedures required by Rule 30a-3(b) under the 1940 Act and Rule 13a-15(b) under the Securities and Exchange Act of 1934, as amended.

11(b) - There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the second fiscal quarter of the period covered by this report that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 12 - Exhibits attached hereto

12(a) (1) - Code of Ethics - See Item 2

12(a) (2) - Certifications - Attached hereto

12(a) (3) - Not Applicable

12(b) - Certifications - Attached hereto

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Small Cap Premium & Dividend Income Fund Inc.

By: /s/ Mitchell M. Cox

Mitchell M. Cox

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Chief Executive Officer (principal executive officer) of
Small Cap Premium & Dividend Income Fund Inc.

Date: February 20, 2008

Pursuant to the requirements of the Securities Exchange Act of 1934 and the
Investment Company Act of 1940, this report has been signed below by the
following persons on behalf of the registrant and in the capacities and on the
dates indicated.

By: /s/ Mitchell M. Cox

Mitchell M. Cox
Chief Executive Officer (principal executive officer) of
Small Cap Premium & Dividend Income Fund Inc.

Date: February 20, 2008

By: /s/ James E. Hillman

James E. Hillman
Chief Financial Officer (principal financial officer) of
Small Cap Premium & Dividend Income Fund Inc.

Date: February 20, 2008